Daily Report

Latin America

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FBIS-LAT-92-039 *27 February 1992*

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Argentina

According to NOTICIAS ARGENTINAS, a businessman and former supporter of President Menem says he has proof that "Libyan leader Mu'ammar al-Qadhdhafi contributed $4 million to Menem's electoral campaign." He also says that he has received anonymous threats.

El Salvador

San Salvador radio broadcast a news conference with President Alfredo Cristiani upon his return from the United States. Cristiani explained that the invitation by President Bush was "to hold a private working meeting, especially to discuss possible U. S. aid for the national reconstruction plan." Responding to reporters' questions about alleged overflights of FMLN troop positions, the president stated: "I wish to categorically state that there have been no Salvadoran Air Force overflights over those territories," and "We are trying to determine what kind of plane it was and its origin."

Honduras

The San Pedro Sula newspaper LA PRENSA publishes a report that President Callejas has denied that Honduran Air Force planes have overflown guerrilla territory in El Salvador. Citing Salvadoran clandestine Radio Farabundo Marti, it says that "airplanes with Honduran registration markings entered Salvadoran airspace, thereby jeopardizing the peace agreements, and the guerrillas immediately placed their combatants on a state of alert." Honduran Army General Luis Alonso Discua has also denied the reports.

Venezuela

In two speeches delivered by President Perez, carried on Caracas TV, he reiterates his denunciation of the coup attempt of 4 February and reaffirms his deep belief in the democratic process. Perez accuses the coup plotters of conspiring "for the sole purpose of establishing a totalitarian regime in the country." He admits the mistakes of a less-than-perfect system and acknowledges the seriousness of widespread corruption, but advocates reform so as to preserve democracy as "the foundation upon which our daily life fully rests." Perez affirms that "only democracy guarantees the rights of all persons. Only democracy allows us to be free, to move about as we see fit, to enjoy our rights, and to live in dignity."

French Guiana

The French news agency AFP reports that "The European rocket Ariane began its 49th flight at 2058 on 26 February from the Kourou Space Center." Madrid EFE adds that the rocket "successfully placed in orbit two new telecommunications satellites—one Arabian and one Japanese."

Cuba

Provinces' Energy Consumption Levels Reported

FL2602214392 Havana Radio Rebelde Network in Spanish 1800 GMT 26 Feb 92

[Text] The levels of energy consumption calculated for the first 20 days of February are as expected. Havana City, Havana, Cienfuegos, Sancti Spiritus, Ciego de Avila, Camaguey, Holguin, Santiago de Cuba, and Guantanamo were able to stay within the plan. The rest of the provinces, even though they did not stay within the plan, were able to make noteworthy reductions and are working to meet the assigned level.

If the forecast balance for national energy consumption seems positive, it is because of the conservation efforts by most of the population and the state sector, which are taking greater advantage of natural light and have applied new work hours, among other measures. Lidio Ramon Perez, vice general director of the National Union of Electricity, explained to me that in January the average receipt was for nine pesos in the residential sector.

[Begin Perez recording] If the combined or global residential sector met the plan in January, we can say that by households the behavior was different. For example, 73 percent of the households that have electricity stayed within the plan in January. That means that more than 1.7 million households stayed within the plan. I repeat: 73 percent. Twenty-one percent of them did not stay within the plan, even though they lowered consumption. The remaining 6 percent did not conserve energy. In other words, six percent did very little or nothing at all to reduce their consumption. [end recording]

The current level of electrification in the country and the high number of electric household appliances in homes makes the residential sector decisive in the level of energy consumption in each province. It is sufficient to mention that in Cuba the 2.4 million houses that enjoy this service have an average of eight electric household items, in addition to lights. Based on that, the energy consumption of homes cannot be underestimated.

[Begin Perez recording] Our goal is to avoid blackouts where possible. When a blackout occurs we hope to keep it as brief as possible. That way we can avoid applying individual sanctions such as disconnecting electric service to those who do not stay within the plan. Following this concept, electric service was interrupted for a large group of wasteful people for 72 hours in January. However, we have always said that the victory is not in causing blackouts, the victory is taking away their electric service. [end recording]

There is no other alternative. Today more than ever it is imperative that all Cubans develop the habit of saving.

Veterans, Youth Groups Sign Joint Labor Program

FL2602225192 Havana Radio Reloj Network in Spanish 2057 GMT 26 Feb 92

[Text] The Cuban Revolution Veterans Association [Asociacion de Combatientes de la Revolucion Cubana] and youth organizations have signed a joint labor program in Pinar del Rio Province. The program's objective is to work together with children and youth interests in an effort to fulfill defense preparation programs.

They have also agreed to work to prepare nine second phase defense-ready zones and to build civil defense tunnels in Pinar del Rio.

Central Committee member Fidel Ramos Perera, first secretary of the Communist Party of Cuba in Pinar del Rio Province, reiterated that the joint agreement in this province of the country has courageous soldiers, defenders of the nation and socialism.

Municipality Declares Tobacco Harvest Emergency

FL2602225092 Havana Radio Reloj Network in Spanish 2047 GMT 26 Feb 92

[Text] So that not a single tobacco leaf is lost, Consolacion del Sur Municipality in Pinar del Rio has declared a state of emergency in its tobacco harvest due to current weather conditions, which could affect the crop.

In a meeting of leaders for organization and basic production units, the Communist Party of Cuba [PCC] in the province announced special measures concerning the completion of efforts and performance.

Maria del Carmen Concepcion, first PCC municipal secretary, stressed the need to continue working in the tobacco fields for however long it takes. She emphasized that care must be direct and specific, especially in the threatened areas. It is the duty of all workers and the PCC in Consolacion del Sur to make this year's harvest large and of good quality.

Havana Enterprise First To Begin Potato Harvest

FL2702001692 Havana Radio Rebelde Network in Spanish 1800 GMT 26 Feb 92

[Text] The Guira de Melena miscellaneous crop enterprise in Havana Province is the first state entity in this province to begin harvesting potatoes. Reporter Maria Diaz brings us up to date with an interview with Felix Alvarez, production director at the Guira de Melena miscellaneous crop enterprise.

[Begin recording] [Alvarez] We have harvested 10,000 quintals of potatoes in three days. By the end of February, we should have reached between 18,000 and 20,000 quintals of potatoes out of a projected 15,000 quintals.

[Diaz] Which groups are involved in this task?

[Alvarez] Right now, the comrades of the Youth Labor Army from the Havana Division of the Sierra Maestra camp are involved in the potato harvest on Farm No. 5 of our enterprise.

[Diaz] Felix, at the conclusion of the potato harvest, in general terms, how much will the enterprise have harvested?

[Alvarez] We should have harvested more than 350,000 quintals of potatoes. Our projections, our pledge to the revolution, is 350,000 quintals of potatoes, and we think we will surpass those 350,000 quintals of potatoes.

[Diaz] Is there any problems with the bags?

[Alvarez] No, right now we do not have any problems. Everything is all right, all the conditions remain in place, such as the bags and the string to sew the bags, I am referring to the sacks. We have cans for the potato harvest so the potatoes are damaged less and so they reach the people in better condition. [end recording]

Machado Praises Results of Giron 92 Exercises

PA2602173992 Havana Radio Havana Cuba in Spanish 1330 GMT 26 Feb 92

[Text] Jose Ramon Machado Ventura, member of the Politburo of the Central Committee of the Cuban Communist Party, said the Giron 92 exercises were an extraordinary initiative towards perfecting the United Vigilance and Protection System [SUVP] in the city of Havana.

Summarizing the results of the exercises following an inspection, Machado Ventura said the Cuban people have the will, determination, and fighting spirit to undertake an all out struggle against crime as well as counterrevolutionary activities.

Yemen Party, Congressional Delegation Arrives

FL2602214292 Havana Radio Rebelde Network in Spanish 1800 GMT 26 Feb 92

[Text] A delegation from the people's general congress of the Republic of Yemen and of the Socialist Party of that country has arrived in Cuba. The delegation is headed by Yahya Muhammad al-Mutawakkil.

During their stay on the island they will meet with leaders of the Communist Party of Cuba and the government. They will also visit places of economic and social interest.

Roa Kouri Rejects UN Special Representative

FL2702031492 Havana Radio Rebelde Network in Spanish 0000 GMT 27 Feb 92

[Text] Just moments ago, Cuba reiterated before the UN Human Rights Commission in Geneva that it cannot comply with instructions to agree to cooperate with a special representative whose designation it considers illegal.

PRENSA LATINA adds that Cuban Vice Foreign Minister Raul Roa Kouri, exercising his right of rebuttal, stated that none of the UN Charter bylaws say that member states are obliged to comply with recommendations adopted by UN bodies, including this commission.

According to his comments, only UN Security Council decisions adopted in accordance with Chapter 7 of the UN Charter are compulsory. Roa Kouri pointed out: I do not see why we have been asked to comply with a measure that is clearly arbitrary and discriminatory.

The Cuban vice foreign minister's rebuttal was in response to calls for cooperation made by representatives from Hungary, Brazil, Canada, and Russia regarding this matter.

Commentary Criticizes UN

PA2602181892 Havana Radio Havana Cuba in Spanish 1330 GMT 26 Feb 92

[Commentary by Roberto Morejon]

[Text] Point 12 of the agenda for the 48th UN Human Rights Conference is taking an excessive amount of time because the United States and several of its Western friends want to turn that phase of the meeting into an anti-Cuban platform.

A biased report by the so-called special UN representative on the human rights situation on the island, Rafael Rivas Posada, from Colombia, was presented to this forum on 19 February.

The Cuban delegation at the Geneva meeting objected to the document. It is full of misstatements and lies based on reports from people and organizations outside the country or out of touch with the country's true situation.

Other sources used by Rivas Posada create misgivings about his performance as a representative of the secretary general of the United Nations. This is the case of Father Miguel Loredo and of Luis Zuniga, who served prison terms in Cuba for protecting an assassin and for having tried to facilitate the infiltration of CIA agents whose mission was to destabilize the revolutionary government.

The document also includes the testimony of the so-called Cuban Human Rights Committee, a beneficiary of funds from the National Endowment for Democracy [last four words in English], an umbrella organization that finances campaigns to discredit governments opposed to U.S. meddling policies.

Because of the dubious credibility of the people and entities mentioned here, it is appropriate to point out that the Rivas Posada mission never had the legal authority or moral strength to report on the human rights

situation in Cuba. Cuba was arbitrarily subjected to the inquiry and said in February 1990 it would not accept the resolution imposed in Geneva by a borderline majority produced by the United States through pressure and blackmail.

Cuba clearly established then, and is ratifying now, its position that it would never accept the appointment of a special human rights representative. Cuba believes that method applies only to countries that exhibit flagrant and numerous human rights violations.

Cuba, where social justice, the right to work, and free education and health care abound, is far from that category, regardless of what those who served as an inspiration for the Rivas Posada report may say.

U.S. Told To Begin 'At Home' in Drug War

FL2602155092 Havana Radio Rebelde Network in Spanish 1255 GMT 26 Feb 92

["Our Opinion" commentary by Orlando Contreras]

[Text] The second antidrug summit begins today in San Antonio, Texas with the participation of Bolivia, Colombia, Ecuador, the United States, Peru, and Venezuela. Mexico is present as an observer. Prior to the presidential summit, a meeting to coordinate and adjust the final declaration was held in Quito, Ecuador, about 20 days ago. Venezuelan delegate Eduardo Zuluoga, quoted today by AFP, said on that occasion—and I quote—the Americans came to Quito with a draft agreement they had already written that contained points—I quote—that were not directly related to drug trafficking.

What is the essence of the problem? The United States is by far the main consumer of drugs in the world. Behind this multibillion dollar business is an impressive network of individuals who are linked to politics, banking, finances in general, the FBI, the CIA, judges, policemen, and even the specialized agency to fight drug trafficking, the DEA. I do not mean that these agencies are controlled and manipulated by drug lords in the United States. What is also known in the United States is that in all these agencies and areas of the country's economic, financial, and political life, there are individuals involved in the drug business who make sure their influence is felt. Even the United States acknowledges that totally dismantling the structure of the financial and economic power of the drug Mafia, which does not have a visible face, would seriously affect the nation's economy, and particularly the economies of certain states.

To avoid creating an internal war against the drug lords and forcing—in the best of cases—the peaceful transfer of their illicit businesses to well-known activities as in the time of Al Capone, the United States intends to bring the war to South America and destroy all the coca plantations. That way they would pass the entire social cost on to poorer countries. The initiative of the Latin American countries is to attack the consumption of drugs and support plans for alternative development to then eradicate the coca crops.

If the United States is truly interested in doing away with drugs and drug trafficking, they must first begin at home.

Minister Comments on U.S. 'Radio Aggression'

FL2602143392 Havana Radio Rebelde Network in Spanish 1800 GMT 25 Feb 92

[Text] Manuel Castillo Rabasa has said in Granma Province that confronting the U.S. Government's radio aggression is a very important Communications Ministry task. The communications minister pointed out that the ministry is also continuing to work on priority tourism, biotechnology, and food programs and on improving the quality of services it provides to the population.

[Begin Castillo recording] Right now the ministry is making a big effort to bring in hard currency. With this hard currency, it continues to develop and keeps up—technically maintains—the communications system despite the current difficulties. Basically, the fuel issue is having an enourmous effect on us. Our workers, however, are seeking solutions, different solutions, and we will continue to provide our services to the population. We will continue to provide communications services in the special period. [end recording]

The communications minister congratulated the communications sector workers on their commemorative day. He also said the investments necessary to improve telephone communications between the cities of Bayamo and Manzanillo and the rest of the coastal municipalities, as well as to improve the quality of television reception in Granma Province, are being made.

* Angolan Students To Remain in Cuba

92P40126A

[Editorial Report] Luanda JORNAL DE ANGOLA in Portuguese of 23 January 1992 on page 2 reports that the 1,000 Angolan students currently studying in Cuba are experiencing financial and material hardships due to the disappearance of the socialist bloc. While the Angolan Government does not plan to have the students return home, it will send essential goods to help them through this difficult period. The article further reports that the National Institute of Student Scholarships will suspend study-abroad programs next year.

Dominican Republic

Balaguer Orders Haitians' Status Normalized

FL2602182492 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 26 Feb 92

[Text] Haitian agricultural workers employed in cutting sugarcane at the Consuelo Sugar Refinery received temporary residency cards issued by the General Directorate

of Immigration. Agronomist Claudio Sanchez, Consuelo Sugar Refinery administrator, gave the identity cards to foreign workers residing in refinery housing during a ceremony that was attended by retired Captain Romulo de los Santos, director of Haitian affairs at the General Directorate of Immigration.

Sanchez said that President Joaquin Balaguer has given precise orders to normalize the legal status of Haitians who have sought refuge in the country and who are working in different activities. Also attending the ceremony were agronomist Juan Pablo Gutierrez, field general superintendent of the Consuelo Sugar Refinery; Placido Calvo, superintendent of the Fortuna housing estate; and Luis Julian Bello.

Haiti

U.S. Ambassador Brings 'Strong Hand' to Crisis

FL2602220892 Port-au-Prince Radio Soleil Network in Creole 1930 GMT 26 Feb 92

[Excerpt] The U.S. ambassador to Haiti, who was recalled for a month of consultations, is scheduled to return to Port-au-Prince on 26 February to bring a strong hand to the country's political crisis, which is almost at an end. Richard Boucher, a U.S. State Department spokesperson, said that Mr. Adams' return represents the U.S. Government's willingness to work with all the parties in Haiti for the formation of the consensus government. According to Boucher, the U.S. Government strongly supports the agreement signed on 23 February by ousted President Jean-Bertrand Aristide and representatives of the Haitian parliament. The agreement, which should be ratified by the parliament, is a good opportunity to solve the political crisis that began with the 30 September military coup. The agreement seemingly helps Communist Party head Rene Theodore to become prime minister and allows for President Aristide's return to the country.

Mr. Adams was recalled for consultations following an attack against Theodore during which his bodyguard was killed on 25 January. Mr. Boucher indicated that since 19 February, no Haitian boat has been intercepted by the U.S. Coast Guard, which is still repatriating Haitian refugees from Guantanamo Naval Base. [passage omitted].

Deputy Says Aristide Obliged To Honor Agreement

FL2602224092 Port-au-Prince Radio Metropole in French 1145 GMT 26 Feb 92

[Interview with Deputy Duly Brutus by reporter Clarence; place and date not given]

[Text] In Port-au-Prince, Deputy Duly Brutus feels the agreement is a chance for Haiti to overcome the current situation. The parliament must now do everything possible to ratify the agreement. The Nationalistic and Progressive Revolutionary Party of Haiti deputy witnessed the signing of the agreement in Washington. In a statement made yesterday on Radio Metropole, the deputy said that he thinks Jean-Bertrand Aristide must respect his signature, and anything he might say will not affect the implementation of the process.

[Begin recording] [Brutus] I think this agreement must be considered as a great opportunity for our country to overcome the crisis. From now on, I think the Haitian parliament, which has been working relentlessly for approximately five months to help Haiti solve the crisis, must do everything possible to ratify the agreement. What are the chances that it will be applied? If you carefully read the agreement, you will see that we acknowledge that President Aristide cannot immediately return to Haiti. As established in Article 148, it is necessary for the prime minister to govern in his place, to assume the role of head of state in his place. We do not know how long it will last. In Washington, we explicitly stated that we cannot set a return date, it is more [words indistinct] to appreciate as soon as Aristide's return is possible to Haiti.

[Clarence] Are you confident that the agreement takes into account the political reality, meaning the provisional government and the Army? Does anyone really know the Army's exact position? Will the Army accept it? Will the provisional government accept it? What about the other opposition political leaders?

[Brutus] I think each Haitian must show some political clear-sightedness to understand the current situation. This situation requires from each Haitian politician a sort of awareness to eliminate the situation. The country is dying. We can not allow our dear Haiti to perish. We must all make sacrifices. The parliament has been working on that.

That is why I remain confident. You will see that the Haitian Army is protected by the agreement. We have clearly asked for an amnesty for all those who participated in the coup. Second, we asked that the parliament's acts be respected and, after long discussions, they were finally accepted. Therefore, I think that in the current context, each Haitian must show a minimum of sacrifice so together we can find a common ground to save our Haiti.

[Clarence] What about Aristide's statements contradicting the signed agreement?

[Brutus] Aristide is bound to what he has signed. He signed a text. He must respect what he signed in Washington, and we think our role is to hold the international community as a witness.

He signed before the community; therefore, he must keep his word. [end recording]

Military Cooperation Uncertain

FL2702155492 Bonaire Trans World Radio in English 1130 GMT 27 Feb 92

[Text] A plan to restore Jean-Bertrand Aristide to power in Haiti seems to have one stumbling block: the cooperation of the military rulers. They have not said one way or another whether they will go along with the latest plan arrived at by the Organization of American States. The United States has given its support to the OAS plan proposed by the prime minister-designate Rene Theodore. The U.S. has also returned to Haiti the ambassador that it had recalled last month after an attack on Mr. Theodore.

Protocol Stipulations Announced

FL2602144692 Port-au-Prince Radio Metropole in French 1200 GMT 26 Feb 92

[Text] The 11-point [as heard] agreement signed by Jean-Bertrand Aristide and Rene Theodore stipulates:

The acknowledgement of Father Aristide as constitutional president;

An invitation to an OAS civilian mission and to representatives of the Inter-American Committee for Human Rights within the framework of efforts to reinforce democratic institutions;

The commitment to form a national unity government, the program of which will be determined by the various parties that compose it;

The designation of ministers by consensus among the parties;

The commitment of Rene Theodore to work to create conditions for the return of Jean-Bertrand Aristide, with whom he will speak every fifteen days—to the extent possible—about the government's activities;

One month after his confirmation as prime minister, Theodore will meet with Jean-Bertrand Aristide and the OAS secretary general to establish means for the president's return to the Republic;

The commitment of the parties to pay particular attention to the military institution as to its professionalization and the establishment of better material and moral conditions aimed at allowing it to contribute to the democratic process and to fulfill its constitutional mission.

There were 11 points [as heard] agreed upon by Jean-Bertrand Aristide and Rene Theodore at OAS headquarters in Washington on 24 February after a night of discussions between the two men.

Delegation Returns

FL2602181392 Port-au-Prince Tele-Haiti in French 1330 GMT 26 Feb 92

[Italicized passages are in Creole]

[Excerpts] [Announcer] The bicameral delegation that participated in ratifiying the agreement protocol with ousted President Jean-Bertrand Aristide under OAS auspices in Washington over the weekend returned to Haiti on 25 February. Prospective Prime Minister Rene Theodore was with them. He said he had signed an agreement protocol with Father Aristide. Here is our report.

[Unidentified reporter] An important security force composed of Port-au-Prince police and airport security service military was deployed to Haile Selassie Boulevard this afternoon on the arrival of the Haitian delegation that had participated in the ratification of the agreement protocol. Security agents assigned to the U.S. and Canadian Embassies were also seen on the spot. Diplomats accredited to Haiti, as well as a delegation of deputies and senators of the 45th Legislature, received the delegation. Demonstrators hostile to the negotiated solution were seen in the departure hall at the entrance to the diplomatic lounge.

As he was leaving, prospective Prime Minister Rene Theodore told journalists he had signed an agreement protocol with President Jean-Bertrand Aristide after a long meeting with the latter in Washington on 24 February. He did not say whether the president-in-exile had accepted the agreement.

[Begin Theodore recording] I signed an agreement protocol. I will give you its content tomorrow. [end recording]

[Reporter] Mr. Rene Theodore announced a news conference for 26 February to provide details on highlights of the latest round of negotiations over the weekend in Washington. Rene Theodore was booed and slandered by 10 or more demonstrators. He left the airport in a U.S. Embassy car, closely watched by the civil agents of this diplomatic mission.

Senator Rony Mondestin, who was in Washington as an adviser to the prospective prime minister, answered journalists' questions about the political crisis.

[Begin recording] [Mondestin] *Nobody plays* [words indistinct] *this resolution. Everybody will* [word indistinct].

[Unidentified reporter] *What do you think of those who say you should be arrested, alleging that you parliamentarians have sold out the country?*

[Mondestin] *We in a democratic society agree with the people* [words indistinct]. *It is a democratic fight we are waging.* [Words indistinct]. [end recording]

[Reporter] Senator Mondestin also was taken to task by the demonstrators. [passage omitted]

Policemen ensured the safety of Senator Mondestin, who explained the demonstrators' behavior as part of the democratic process. [passage omitted]

The other members of the delegation returned aboard the same Haiti Trans Air flight. They spoke with their colleagues in parliament and with diplomats.

[Announcer] An agreement therefore has been reached between ousted President Jean-Bertrand Aristide and prospective Prime Minister Rene Theodore.

[Port-au-Prince Tele-Haiti in French at 1700 GMT on 26 February reports that the announced news conference has been postponed until 27 February.]

Legal Action Taken Against Aristide, Preval

FL2702131992 Port-au-Prince Radio Nationale in Creole 1100 GMT 27 Feb 92

[Text] The public prosecutor of the civil court states that legal action has been taken against Jean-Bertrand Aristide; Rene Preval; Pierre Cherubin, former colonel and police chief under the Aristide-Preval government, now in exile with Aristide in Venezuela; and Richard Salomon, former Army major close to Aristide. Following complaints lodged against them with the public prosecutor, they are all accused of assassinations, corporal torture, acts of violence, and collaboration in illegal arrests.

Among those who filed complaints is Marie Denise Claude, daughter of late Haitian Christian Democratic Party leader Sylvio C. Claude, allegedly killed by a lavalas mob on the night of 29 and 30 September. The indictment charging Jean-Bertrand Aristide with assassination, dated 5 November 1991, alerts the Public Prosecutor's Office of this complaint.

A second complaint was lodged by Mrs. Gladys Murat Lafontant on 30 October 1991 against Jean-Bertrand Aristide and Pierre Cherubin for the assassination of Roger Lafontant. The indictment dated 5 November advises the Public Prosecutor's Office of this complaint.

Charges were filed by Mrs. Paul Clara Victor Louis on 29 October 1991 against Jean-Bertrand Aristide, Rene Preval, Pierre Cherubin, and Richard Salomon for illegal arrests, acts of violence, and corporal tortures against the plaintiff. The indictment dated 5 November informs the Public Prosecutor's Office of this complaint.

Another complaint was lodged by Messrs. Reynold Philogene and Abraham Desrosiers on 20 October 1991 against Jean-Bertrand Aristide, Rene Preval, Pierre Cherubin, and Richard Salomon for illegal arrests, acts of violence, and corporal tortures against the plaintiffs. The indictment dated 5 November informs the Public Prosecutor's Office of this complaint.

The dossiers of these complaints have been presented to the examining chambers for proper legal procedure. Summonses have been issued for Jean-Bertrand Aristide, Rene Preval, Pierre Cherubin, and Richard Salomon by the judge who has been assigned to this case since 6 November.

Signed: Public Prosecutor Lyonel Dominique.

Authorities Asked To Suspend Adelson Warrant

FL2602230992 Port-au-Prince Radio Metropole 1700 GMT in French 26 Feb 92

[Report by correspondent Ronald Jean in Cap-Haitien]

[Excerpt] A five-member parliamentary committee including Cap-Haitien Deputy Jacques Lafleur traveled to Cap-Haitien on 22 February to find a solution to the crisis that divides Borgne Deputy Raphael Michel Adelson and the local justice. The repeal of the warrant issued for Deputy Adelson was the main point of conversation. At the conclusion of the meeting, at the request of Interim Public Prosecutor Henry Leconte, Justice of the Peace Henry Claude Ademar, who is in charge of the case, asked the authorities to suspend the legal proceedings taken against Deputy Adelson. [passage omitted]

El Salvador

Cristiani Holds News Conference on U.S. Visit

PA2702025892 Sa.. Salvador Radio El Salvador Network in Spanish 1930 GMT 26 Feb 92

[News conference by President Alfredo Cristiani with foreign and local reporters and unidentified moderator at the Comalapa International Airport; broadcast in progress—live]

[Text] ...was because of an invitation by President Bush to hold a private working meeting, especially to discuss possible U.S. aid for the national reconstruction plan. We worked on the plan and arrived at a figure for the next five years of $250 million. However, as you know, this will have to go through the two houses of the U.S. Congress. This is only the request of the U.S. Administration before the Congress.

However, on 25 February we had the opportunity to meet with several members of the U.S. House of Representatives and Senate; a large majority—not all of them—expressed their willingness to support the country during this transition or reconstruction phase. We believe and hope we will have no problems at the U.S. House of Representatives and Senate come approval time.

Perhaps the sole difficulty we faced is that—given that this is part of a law that contains all U.S. foreign aid—there are two other issues that are delaying approval of the U.S. foreign aid law. This could delay the aid for us. However, I repeat, all of them showed their willingness to help our country in its reconstruction.

We also discussed the issue of our compatriots in the United States and the U.S. Administration showed its desire to avoid creating problems for Salvadorans residing in the United States. We believe it is possible there could be an extension in the near future of the law allowing them to stay in the United States.

We believe the representatives and senators understand perfectly the problems that could arise should there be a massive return of Salvadorans at this very moment. They understand these Salvadorans should return voluntarily once they are able to assume a productive role in El Salvador and this should take place through an orderly process. I repeat, this aspect was also greeted positively by President Bush himself and the members of the U.S. Congress and we believe we will not experience any problems in solving the problems of our compatriots in the United States either.

[Moderator] Ernesto Rivas of the "Up to Date" newscast.

[Rivas] Mr. President, during your absence, there were reports that planes overflew guerrilla positions. It has not yet been determined whether they were Honduran or Salvadoran Air Force planes. Commander Hercules said this jeopardizes the peace agreements. We would like to know, Mr. President, if you have contacted your Honduran counterpart or if you know for sure the origin of these planes and what they were doing in that area.

[Cristiani] I wish to categorically state that there have been no Salvadoran Air Force overflights over those territories and this has even been clarified by the UN Observers for El Salvador (ONUSAL) who maintain personnel here at the Comalapa Base as well as the Ilopango Base.

We are trying to determine what kind of plane it was and its origin—assuming that such overflights did take place—but we have not yet reached a definitive conclusion. The Honduran Government and our government are investigating this with the help of ONUSAL. We hope to have the results of this investigation to resolve this. We have had no personal contact with President Callejas but did receive a message from him through his ambassador in Washington. It states they are still investigating but can advance that there was no order for Honduran Air Force aircraft to overfly Salvadoran territory. We must wait for a more definitive solution to the situation.

[Moderator] Antonio Alvarado of (Cuatrovision).

[Alvarado] Mr. President, during your absence, a member of the Farabundo Marti National Liberation Front [FMLN] said that should evictions continue in lands occupied by the peasants, FMLN members will not continue with the second phase of their demobilization, because, according to them, these evictions are no guarantee for their combatants' future. What is the position of your administration?

[Cristiani] We believe it is a position that runs totally counter to the spirit of the agreements that clearly specify there should be no illegal land occupations. Evictions from these lands do not mean the government will not comply with the commitments contained in the Chapultepec agreements.

On the contrary, the government is willing to comply with the spirit and the letter of the commitments. Nonetheless, we cannot accept violations or abuses by any sector—including the FMLN—that tries to take over land illegally. To that effect, my answer is that we will continue to watch over property rights in our country in accordance with the laws of our country. We will also comply with the spirit and letter of the agreements—within legal mechanisms—in solving the problems of the former fighters on both sides.

[Moderator] Question by Guillermo Valencia, of The Newscast.

[Valencia] Mr. President, I have two questions. Concerning the case of the Honduran planes—if they were Hondurans or of another nationality—why was it said they would be brought from Guazapa and San Vicente? Why did not the Army or Air Force do anything,

inasmuch as this would be considered a violation of our airspace? My second question: How do you feel about the guerrilla leadership ordering its fighters to open fire against the airplanes that continue to fly over these areas?

[Cristiani] I believe the question is entirely hypothetical. These flights over Guazapa or San Vicente have not been confirmed. There have been some reports about some flights near the border. Nonetheless, the investigations must clarify the situation. We believe the Air Force had no knowledge of any such flights. Besides, planes are not authorized to fly without prior authorization by ONUSAL. Neither ONUSAL nor the Air Force had any knowledge about these flights. Nonetheless, I repeat, investigations are underway to determine what it was all about.

As to some saying they will shoot down airplanes, they must be very careful, as any mistake could be fatal and it might be a very serious mistake on the part of the FMLN that might lead to unforeseen and regrettable situations. To that effect, I believe that so far the fact that a plane has flown over the area does not entail an aggressive attitude. We believe the foreign planes are not familiar with the areas where the FMLN members have gathered, so they should not fear they will be attacked by planes from other countries.

[Moderator] Question by [name indistinct]

[Reporter] Good afternoon, Mr. President: I would like to know if your government already has the names of the persons who will replace the Finance Ministry officials? Also, what do you think of the delay in complying with the timetable of the peace agreements, and do you think this will cause some problems?

[Cristiani] Yes, we do have replacements for the Finance Ministry, but we will announce them when they are sworn in. We are ready to announce appointments by 1 March in view of the resignation of the minister and deputy minister.

In the case of the delays in the timetable, the timetable says the dates are goals and should not be considered deadlines. It is very difficult to estimate at the negotiations table the time it actually takes to comply with one agreement. For example, in some cases, such as the appointment of the director of the National Civilian Police and of the Academy of Public Security, we have not yet received the list of candidates from the National Commission for the Consolidation of Peace [Copaz]. Apparently, Copaz has not yet been able to reach an agreement on the list of candidates. These are problems that should not have negative repercussions, because it was initially said that all dates are goals and not deadlines.

[Moderator] Question by Mario Erwin Garin, of LA PRENSA GRAFICA.

[Erwin] Mr. President: In your visit to Washington you also had the opportunity to visit the IDB [Inter-American Development Bank]. Could you explain the amount the bank is planning to invest, and the specific groups that will receive the aid?

[Cristiani] IDB President Enrique Iglesias invited us to have lunch at the bank, even though we did not discuss the support the IDB would provide to the country at this time, as this had already been previously defined by our economic committee. Basically, the IDB support during the 5-year period will amount to approximately $500 million to $600 million to finance primarily the most significant electricity projects ever financed by the IDB. There are other projects, such as highways, but the most important one is the electricity project.

[Moderator] Question by Roberto Uprez, from Radio Cadena Cuscatlan.

[Uprez] Mr. President, good afternoon. I have two questions. In the event the U.S. Government does provide some assistance, would it be conditioned to any situation in our country? The second question, in recent hours and days, peasant groups have been taking over land in various parts of El Salvador. So far Copaz has not been able to control this situation. What is the government going to do to prevent this situation?

[Cristiani] First I will answer your last question. We have been very clear that we are going to see to it that the right of property is respected in our country, and we are going to respect and comply with the spirit of the Chapultepec agreements. We are not going to allow anything illegal to take place.

We again issue an appeal to all the peasant groups who are being influenced by radical organizations linked to the FMLN: Do not let them use you because measures will be adopted against those who participate in the illegal land seizures, and they will not be taken into consideration when land transfers are made according to the agreements. In other words, these people are being deceived and they will probably end up with nothing. They must be patient and participate in the normal process stipulated by the agreements to make the land transfers in a legal way.

Referring to the other question, the first one, no provisions have been made concerning the U.S. aid for the country's reconstruction.

[Moderator] We have the last participant. Cristina de Merino, ACAN-EFE.

[Merino] Mr. President, the Central American agriculture and economy ministers are currently analyzing the coffee crisis. What will be the repercussions? What will be the impact of this situation when the national reconstruction plan begins?

[Cristiani] Coffee is, paradoxically, the country's leading export and the fact that prices have dropped to the lowest levels ever in decades is extremely critical because

it affects our foreign exchange revenues and reduces investments in the coffee sector. This, in turn, affects employment in that sector. In sum, the impact will be quite negative, not to mention the importance of coffee production activities for other sectors of the country.

Consequently, we have sought to discuss a possible strategy at the regional level in an effort to find solutions within the coffee pact's framework. This should lead to the adoption of a joint Central American strategy and the approval of an agreement in April during the next meeting—to be held in London. We will later see if we can discuss the strategy with other important coffee producing countries—for example, Brazil, Colombia, and Mexico—and try to adopt a single strategy. This should facilitate the approval of an agreement at the next meeting in London.

The current price levels completely rule out the possibility of a profit in coffee production activities. Coffee producers lose a lot of money with these prices and, as I said, this negatively affects the sector; it also negatively affects the rest of the economy. That is why we thought it was important to invite the people in charge of the area's coffee policy to seek a joint strategy aimed at bringing prices back to their normal level in April.

[Moderator] Thank you, Mr. President. Thank you, friends of the media who have visited us. We also thank our listeners and viewers who accompanied us in this news conference.

Commentary on 'Ghost' Planes Over FMLN Positions

PA2602225192 San Salvador Radio Cadena YSU in Spanish 1230 GMT 26 Feb 92

[Station commentary]

[Text] Ghost planes continue to overfly FMLN [Farabundo Marti National Liberation Front] areas of concentration.

For the second day in a row, on 25 February, unidentified planes continued flying over FMLN camps, which were set up as part of the demobilization efforts established in the peace agreements.

Since the beginning, top military command officers denied Salvadoran Air Force planes were flying over areas of conflict. The Honduran Armed Forces also denied their planes were flying over Salvadoran territory. In view of this situation, on 25 February the FMLN asked the United States for an explanation because if these are not Salvadoran or Honduran planes, there is only one possibility. As we know, U.S. forces participate in military maneuvers near the border with our country.

The serious thing about all this is that if they are foreign planes, why are they flying over our territory without reporting to our airport terminals? Even though Spanish General Victor Juances, chief of ONUSAL [UN Observers for El Salvador], has said such actions have not endangered the cease-fire, the truth is there may be a setback because the guerrillas declared their units were on a state of alert and ordered them to open fire against planes and helicopters going to visit them.

On 25 February, Air Force Commander Colonel Hector Lovo denied FMLN camps were being overflown. He also reported that unidentified planes reached the area of Perquin and northern Morazan Department.

The rebels also said another AC-47 plane came to observe a camp in (El Paiznal), northern San Salvador Department.

Now the ball is in the U.S. Embassy's court and it must explain the presence of the planes. ONUSAL has the same responsibility. The war has ended, the FMLN concentration enclaves are all known to the public. Large crowds have even gone to visit them there. The peace agreements must be respected. The conquest of peace was very difficult and must not be interrupted.

Editorial on Warplanes Overflying Rebel Areas

PA2702044292 (Clandestine) Radio Venceremos in Spanish to El Salvador 0200 GMT 26 Feb 92

[Editorial: "Actions, Not Words"]

[Text] In the last few days certain events have taken place that have endangered the cease-fire. Warplanes have overflown camps assigned to the National Army for Democracy [END] in different parts of the country, over Guazapa Hill, Cabanas, San Vicente, La Paz, San Miguel, Morazan, and La Union. Helicopter gunships, reconnaissance military planes, and A-37 Dragonfly attack jets have conducted provoking overflights.

Once the END immediately denounced the overflights and adopted a firm position by taking defensive measures to protect itself from possible air raids, Army spokesmen denied any involvement of Salvadoran planes. There are those who say these were Honduran planes.

One thing is clear. Regardless of whether they are Salvadoran or Honduran planes, they are warplanes that are overflying territories stipulated in the agreements for the stationing of our military forces. This situation, here and anywhere in the world, constitutes a serious provocation. We get the impression that they are trying to take our pulse to discover the limits of our tolerance. This is a serious threat to the cease-fire and, consequently, to the peace process.

We are serious about our commitments. We have shown solid evidence of our firm commitment to consolidate peace, but we are not the only ones in charge of building peace. The fulfillment of the cease-fire is not the exclusive responsibility of our forces. In this regard, with the purpose of avoiding situations that can endanger the peace process, the Salvadoran Government must prevent Salvadoran Air Force provocations. As for the case

we are discussing today, a satisfactory explanation is in order so as to build a higher degree of awareness between the sides in our country.

Guatemala

Serrano, Mexico's Salinas Address Businessmen

PA2602191492 Guatemala City Teleonce Television in Spanish 1800 GMT 25 Feb 92

[Text] Guatemalan and Mexican relations have reached an excellent level in political, diplomatic, and cultural sectors, Mexican President Salinas de Gortari said on 25 February on the last day of his two-day visit to Guatemala. The improvement in relations should be extended to trade, Salinas told the Guatemalan business sector during a breakfast held in a hotel in this capital. The Mexican president said it was necessary to increase Guatemalan-Mexican trade, and for this, he noted, specific regulations and positive attitudes are required. Here are excerpts of speeches by President Salinas de Gortari and President Jorge Serrano Elias during their meeting with the businessmen.

[Begin Salinas recording] We want more trade ties. We know that will require clear rules and straightforward regulations. I truly believe one of the most important steps is the establishment of the Guatemalan-Mexican Chamber of Commerce and Industry. It is a long-awaited step that will provide a framework for strengthening business relations between both nations.

In Mexico, we are watching the evolution of the Guatemalan economy with great interest. Our nation is working to maintain economic growth, control inflation, and stabilize trade activities. For three consecutive years our economy has doubled with regard to the population, and we have succeeded in brining our prices in line with those of our primary trading partners. All of this has been achieved within a framework of strict fiscal discipline. This has allowed us—after having national deficits of approximately 17 percent of the gross national product—to reach a zero deficit last year. This year, for the first time, we are registering a surplus in public finances. Simultaneously, we are encouraging dialogue, consensus, and communication among the different sectors. Every week labor unions, business leaders, and government workers meet at the same table to integrate specific situations into the general outlines we have established. This communication and understanding—which we call a pact for economic stability and recovery—has enabled us, together with discipline in public finance, to achieve the economic goals, results, and [word indistinct].

At the same time that we are reaching macroeconomic stabilization, we are fostering efficiency and microeconomic competitiveness. We are accomplishing these goals through structural modifications such as privatization and renegotiating the foreign debt with our main international creditors. This process, while it encourages [word indistinct] of local and foreign investors, also makes resources available to the public sector [words indistinct] assume fundamental social responsibilities by the Mexican state. We also have fostered deregulation, thereby encouraging foreign investement within a new framework. We have an ongoing, open process that is transforming Mexico into a nation with its doors open to foreign trade. [end recording]

[Begin Serrano recording] We cannot exclude ourselves from the worldwide trend whereby economies are growing closer and countries are creating new markets that will unquestionably place the more highly developed countries in a much more advantageous position to compete on the worldwide markets.

We must follow this trend, and we must do it now. That is why my government has promoted as many policies as possible to revitalize and rebuild the Central American Common Market [CACM]. We are very pleased to see Honduras' induction into the CACM. I wish to announce that this month Guatemala will be signing a total free trade agreement with El Salvador, and I hope that during the first days of March we will be signing a total free trade agreement with Honduras. We have signed agreements (?of intent), and we have begun to work with bilateral commissions from Venezuela and Colombia. The meeting I am holding on 25 February with the constitutional president of the United States of Mexico is an opening. I must tell President Salinas that we have not taken a step, but a great leap toward the future. That great leap means we have the political resolve and firm determination to carry out commercial [word indistinct] that will unquestionably help both countries. I hope they will help the Guatemalan people.

To really increase our access to markets, we must establish contacts and have windows of presentation for our exportable products. I believe that in addition to market access, we will also require efficient domestic production. Without efficiency we cannot adequately compete on foreign markets, and there will always be a certain inclination to protect our economy and market with tariff or nontariff barriers.

We are willing to help our Guatemalan businessmen—which, in fact, is what the government has done this year—so they can modernize, reconvert, and achieve world-class competitiveness. This is necessary if we are to enter new markets, but we must do so in an efficient manner so we can fully compete. [end recording]

Honduras

Callejas Denies Planes Overflying El Salvador

PA2702033192 San Pedro Sula LA PRENSA in Spanish 26 Feb p 52

[Text] President Rafael Callejas said on 25 February that no Honduran Air Force planes have flown over guerrilla controlled territory in El Salvador, as the rebels have

reported. The rebel groups will be dismantled in October 1992 as part of the peace agreement with Alfredo Cristiani's government.

Rebel radio station Farabundo Marti reported that airplanes with Honduran registration markings entered Salvadoran airspace, thereby jeopardizing the peace agreements, and the guerrillas immediately placed their combatants on a state of alert.

After learning of the report, the president contacted the Armed Forces commander in chief for further information on the situation, but General Luis Alonso Discua said "such information is unfounded."

The Honduran Government will advise the UN Observers for El Salvador of the Armed Forces' decision not to interfere in the internal affairs of other countries, much less in El Salvador, which has begun a peace process after a 12-year war that killed 75,000 people.

Nicaragua

Over 2,000 Recontras 'Still in a State of War'

PA2602232592 Managua Radio Sandino in Spanish 1930 GMT 26 Feb 92

[Text] Over 2,000 recontras in several areas in Jinotega and Matagalpa Departments still possess weapons. The rebels are led by (Camanica), (Naval), (Presente), Linares, Cornelio, and others who are active and still in a state of war in Muy Muy, Bocay, San Jose de Bocay, and Waslala.

A high-ranking military chief of the Special Disarmament Brigade [BED] has confirmed that on 29 February, approximately 1,000 men led by (El Japones), (Canto), and Walter will demobilize in the area of Rio Blanco. The military officer added that the 2,000 armed men mentioned earlier, as well as these 1,000, belong to the recontra ranks. Approximately 500 men—both recontras and recompas—are staying at the (Canon de los Martinez), 15 km northwest of Waslala. These men will begin talks shortly with the government to discuss their demobilization.

When asked about the recompa groups, the BED officer said there are many groups that have announced that they will not demobilize until the government complies with its previous commitments.

* Commentary Questions FSLN Business Interests

92CA0082A Managua LA PRENSA in Spanish 22 Jan 92 p 14

[Article by Jose Joaquin Quadra S.]

[Text] It is odd, but at times it would seem as though the FSLN [Sandinist National Liberation Front] is undergoing a process of renewal based on analysis and self-criticism, that it is headed towards the formation of a democratic party, and that the unity which it apparently maintained during its authoritarian years has been shattered, thus strengthening debate and discussion in search of a new identity. The fault-finding, defiant tone of some of the Sandinist media would seem to confirm this.

I would have to accept the above as an accurate forecast if I could come up with an explanation for the most recent public debate between Sandinists, in which one of their supporters was denounced as "having depleted the capital of several FSLN-owned enterprises."

I am truly confused and cannot understand how a political party can be the owner of enterprises and assets valued at many millions of dollars. It is bizarre for a political party that has handed over power democratically to leave office with full pockets while even its own supporters are living in anguishing poverty.

I naively thought that political parties had to declare their assets to the Electoral Tribunal and show where they came from. Indeed, during the campaign the law was that half of the contributions had to be turned over to the Electoral Tribunal, which would monitor their provenance and use to prevent outsiders from influencing the outcome of the balloting.

Analyzed carefully, all of these regulations make a great deal of sense because they seek to prevent a return to the system under which homegrown plutocracies chose candidates who did not represent the sentiments of the party rank and file or of the electorate in general. The point is that if a political party owns major assets, its decisions, choices, and aims will be those of a business, which in any event will simply enable a privileged few, in this case the "owners" of the party, to select candidates and reap the benefits of their selections in keeping with a highly mercantilist approach.

It is in this sense that such a party loses its democratic essence, if it ever had one, and becomes a mere clique, like the shareholders of a firm, that makes decisions on behalf of its supporters.

For this reason I think that it would be interesting to learn how the Sandinist Party accumulated the enormous wealth that has turned it into a party/enterprise; whom it fleeced, and whether this is merely the upshot of the ill-fated confusion between State, party, and spoils.

It would be interesting to learn whether the members of that party (I am speaking of the Sandinist Assembly specifically, and of all its members and sympathizers) are shareholders in the companies that the party owns.

It would be interesting to learn what will happen when a member of the Sandinist Assembly retires or resigns, what will happen with his shares or investment in the company/party.

The fact is that we urgently need to learn many things. And although they will have to be resolved among

Sandinists/businessmen/shareholders, the major concern will always remain, namely that a disastrous precedent has been set both for the parties that are vying for power and for those that come to power.

The reason is that when such parties undertake an election campaign against the FSLN, the latter will have an advantage stemming from its great wealth in the form of its "ownership" of various enterprises in various areas, whereas its newly formed, unfunded competitors will have their maneuvering room curtailed by financial inequality.

It is also a bad precedent because it tempts the groups in power to accumulate assets to prepare for their departure from government and to lay the groundwork for their next campaign.

Sadly enough for many, the Sandinist Party, as a financial group, will come to play the role that the old homegrown plutocratic groups once unfortunately played in days gone by.

* FSLN Labor, Social Views Discussed

92CA0082B Managua EL NUEVO DIARIO in Spanish 24 Jan 92 p 4

[Article by Orlando Gomez]

[Text] Nicaraguan society has entered a period in which differences of opinion are sharpening. The outcome of this period will unquestionably be a qualitatively different situation in the sense that peace may be consolidated once and for all, but it will not be devoid of sharp confrontations in the social, political, and ideological arenas.

One of the main disagreements this year will revolve around the three items on the agenda of the Chamorro-Lacayo administration: strengthening the legal system, maintaining law and order, and an economic takeoff.

The administration, which put a new face on its cabinet by bolstering nepotism and heightening the confusion between businessmen and government, will try to promote an economic takeoff by adopting a neoliberal approach under the aegis of the IMF and World Bank. Such an approach will mean more unemployment, more foreign borrowing, a cut in social services, rules and regulations favoring big capital, and a shirking, to the extent possible, of the commitments made to the workers during the process of building a consensus.

Any social unrest or sign of labor protest that the promotion of this economic takeoff might generate will be suppressed by the National Police, notwithstanding the political considerations that the sectors linked to Sandinism may raise owing to the partisan bent that has been given to the police force.

It should not be surprising that one of the self-interested instructions that U.S. Secretary of State James Baker left behind during his visit was to put together a practically new police force that has "credibility," that is to say, one that is able to crack down, as it demonstrated when it broke up a protest by Enabus [National Bus Enterprise] workers on 21 January.

In turn, by swelling the ranks of the police with former RN [Nicaraguan Resistance] personnel, former recontras [Contras who have taken up arms again], and former recompas [Sandinists who have taken up arms again] (Hurtado said that 4,000 troops would be recruited) and by announcing an accelerated pprofessional training program, without ruling out changes in the commands, the government is gradually giving the police new standards of conduct.

The Labor Movement will come face to face this year with a standard of conduct that is more deeply ingrained, thus forcing its leaders to choose the method of struggle most appropriate to each moment since it will not be politically advantageous for them to lead the workers into confrontations with the police.

Another major disagreement will center on the political approach that the opposition Sandinist Front will take to the social costs that the economic plan will impose on the masses. The Sandinist Front is at a crossroads of a sort, owing to the country's economic and social situation and to its own future prospects as a political party, which no doubt weigh heavily.

If the Sandinist Front supports the government's measures, it will be disapproved of by the masses whom they hurt, and if it spearheads grassroots demands, it will be branded by its adversaries and the government as a destabilizing element.

Hence, the leadership of the FSLN must make a major effort to communicate and negotiate with the government. The policy that it develops must lie somewhere between support for grassroots demands and a search for alternate solutions to the specific problems of the masses, while demanding of the government unequivocal assurances that it will keep its word. It is fruitless to keep on asking the FSLN, while it is not in power, for a full-fledged alternative agenda at a time when the masses are battling for their specific grievances.

The military problem caused by the recontras and recompas is apparently being resolved through negotiations; this takes pressure off the EPS [Sandinist People's Party], which has been harassed on the right and the left. If it suppressed the recontras, there was pressure from the right, and if it suppressed the recompas, there was pressure from the left. General Ortega's personal decision to award the highest EPS honor to the Gringo official could pave the way for the right wing to stop applying pressure and could score points by making the institution acceptable as such to the U.S. Defense Department. At the same time, however, the decision has unleashed a storm among Sandinist ranks because a large segment of the Front, including "leadership cadres," disapproves of it.

This muddled situation has unquestionably overshadowed the major contribution that the EPS and General Ortega personally have made to the achievement of peace in El Salvador.

The lesson to be learned from the whole problem caused by the award given to the Gringo is that it is increasingly unlikely, even in an army, that top-down and, above all, one-person decisions will be wise enough to please everyone and, furthermore, will not call into question the political conduct of the person who made it, thus tarnishing the institution's prestige. Let us hope that the decision does not impair unity in the military.

In the political arena, the differences of opinion will tend to be resolved in the National Assembly, and accordingly the idea of a national dialogue will probably fade. The realignment that began late last year with the creation of a "moderate right group" will become consolidated if Jaime Cuadra and Duilio Baltodano, both coming from government posts, stick to the Executive Branch's line. If the current head of the legislature, as he has announced, keeps on trying to forge a "legal system" directed against anything that smacks of Sandinism, we cannot rule out that "the rug will be pulled out from under him" in such a way that in "the twinkling of an eye" we may see him speaking from a plain old seat, not from the chair. We should not, however, rule out either that the so-called "man of the State Department and another U.S. agency" may still have some maneuvering room and may have some more knives up his sleeve.

Panama

Planning Ministry Announces IMF, Japanese Loans

PA2602141292 Panama City LA PRENSA in Spanish 25 Feb 92 p 1A

[Article by Elio A. Rujano M.]

[Text] The IMF and the government of Japan have approved loans for Panama totaling $283 million, the Ministry of Planning and Economic Policy (MIPPE) announced on 24 February in a communique.

The IMF Executive Directorate approved a loan for $183 million that will be disbursed in 22 months to support the budget and public investments.

This loan, in turn, becomes a mechanism for refinancing a part of Panama's foreign debt, the MIPPE pointed out.

The IMF leaders said they recognize "the efforts made by Panama during the last two years to cleanup its public finances," and they recommend the Panamanian Government continue to monitor and control public expenses as it has done up until now.

The MIPPE also reported that at 1100 on 25 February, the governments of Panama and Japan will exchange notes on the Loan Agreement for Economic Recovery that will be held at the Foreign Ministry.

The exchange of notes with Japan is a requirement previous to the signing of the Loan Agreement for Economic Recovery for granting a $100 million loan, the MIPPE communique adds.

The ceremony will be attended by Panamanian Deputy Foreign Minister Jose Raul Mulino and Japanese Ambassador Yogi Sugiyama, who also represents the Overseas Economic Cooperation Fund of Tokyo.

This will facilitate cofinancing the Loan for Economic Recovery granted by the International Reconstruction and Development Bank of the World Bank.

The $100 million will be used for making past due foreign debt payments. In addition, it will serve as a budget support for social works, the MIPPE communique points out.

The loans approved by Japan and the IMF follow Panamanian arrears payments to international financial institutions totaling $645.8 million. Those payments paved the way for Panama to receive new loans in good standing.

The World Bank and the International Development Bank approved loans for $120 million and $130 million, respectively, in February.

Official Denies Money Laundering Charges

PA2602160292 Panama City EL PANAMA AMERICA in Spanish 26 Feb 92 p 8c

[Report by Juan Pritsiolas]

[Text] Acting Foreign Minister Jose Raul Mulino stated that "discrediting" charges made by U.S. sources claiming Panama is a center for money laundry are a product of the current U.S. electoral campaign.

According to Mulino, certain U.S. sectors want to develop domestic policy at "the expense of Panama's prestige."

The Foreign Ministry official recalled a U.S. Embassy communique "contradicting" statements made by Larry Birns, the Hemispheric Affairs Council director. Birns had stated that the Panamanian banking center continued to launder drug trafficking funds.

Mulino said "nobody had made incoherent statements of this nature" for some months. He said a new cycle of "discrediting charges" is now being launched.

The acting foreign minister admitted he could not say money was not laundered in Panama as there was a possibility that funds were still being laundered. The government, however, has taken steps to control the management of cash, he added.

Jose Raul Mulino noted the Bank of International Credit and Commerce, which contained the biggest money laundering network in the world, operated in the United States and "nobody said anything" about this.

View on Privatization of State Enterprises

PA2602172792 Panama City EL PANAMA AMERICA in Spanish 26 Feb 92 p 4A

[Article by Guillermo Endara G.: "Toward Privatization"]

[Text] Privatizing state enterprises has become a world trend extending from Russia and eastern Europe to Chile and Argentina. Privatization is a necessary and practical measure stretching beyond ideology. The state is not a good entrepreneur. From a political point of view, the idea of increasing the state's payroll may appear attractive. In our country's recent past, the state's payroll was expanded.

Panama's experience during the past two decades has provided us with unfortunate examples of inefficiency and waste of public funds. For example, a state enterprise lost 240 million balboas during the 12 year period ending in 1989.

Because public finances and the search for greater efficiency in all sectors of the economy are serious matters, we have decided to privatize enterprises that must not remain in state hands. This decision represents the beginning of a delicate and difficult effort that will become even more formidable as it becomes more acute.

There are several important principles that must govern all privatization processes. The state has the obligation to implement the most efficient measures to ensure that these principles are followed.

First of all, parties interested in acquiring state property must have the opportunities to do so. Access to state property must not be limited to the productive sector. It is not desirable to have this property owned by a few groups just because they have resources or better access to credit. An impartial bidding process that would permit broad bidding, or the public sale of shares, could serve as mechanisms to reach the desired objective.

Secondly, we must reduce the chances that privatization may fail, or of the enterprise closing down, because of inadequate financial support or lack of business experience by new owners. There must be sufficient reason to believe the enterprise will continue existing and growing, not only to positively contribute to the economy, but also to guarantee employment opportunities.

Thirdly, we must tackle the delicate sale price issue. In other countries, this issue has created controversies. Privatization is not the equivalent of donation. On the other hand, it would be illusory to set prices above market possibilities. This price-setting issue is one of the biggest obstacles we find in the country's current legislation, which establishes rigid guidelines in this regard.

Some factors my government is analyzing in the framework of our incipient privatization process are: broad bidding opportunities, managerial abilities, and fair prices. These factors must be satisfactorily resolved through mechanisms that will provide reasonable proof that the enterprise will be successful.

The privatization bill, now at the Legislative Assembly pending approval, establishes these mechanisms. Once passed, we will be able to implement this part of the program for the modernization of our economy. This would be a program congruent with our concepts on the role the private enterprise sector plays as the engine of our economic development, and on the function and scope of the state sector.

Arrest Warrent Issued for Noriega's Daughter

PA2602214492 Panama City Telemetro Television Network in Spanish 1730 GMT 26 Feb 92

[Text] Rolando Quesada, First Circuit Judge of Panama, has issued a warrant for the arrest of Lorena Noriega Sieiro, daughter of deposed General Manuel Antonio Noriega. The summons to trial is based on an alleged embezzlement against the Public Prosecutor's Office.

Attorney Ruben Moncada Luna will defend Noriega's daughter. The alleged embezzlement occurred when then Attorney General Carlos Augusto Villalaz appointed Lorena Noriega to the Drug Secretariat but she did no work for that branch of the Public Prosecutor's Office.

Argentina

Qadhdhafi Ties to Menem Election Campaign Cited

PY2602225192 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1852 GMT 26 Feb 92

[Text] Buenos Aires, 26 Feb (NA)—Businessman Mario Rotundo reported today that Libyan leader Mu'ammar al-Qadhdhafi contributed $4 million to President Carlos Menem's electoral campaign.

Rotundo—responsible for the Foundation for Peace and a former Menem supporter when he was running for president against Radical Civic Union [UCR] candidate Eduardo Angeloz—said that he is in a position to prove that Qadhdhafi gave $4 million to guarantee the presidential election of then La Rioja Governor Carlos Menem.

Speaking to Radio del Plata, Rotundo said that he himself received the Libyan contribution and that it was the first and only time he received money for Menem's campaign. The other contributions were received by the campaign committee, then comprised, among others, by Senator Eduardo Menem, Eduardo Bauza, current secretary general of the Presidency, and Mint President Armando Gostanian.

Rotundo, who accompanied Menem on most stops of his tour through Spain, France, Germany, and Italy in 1988 when Menem was a presidential candidate, said that he personally contributed $3 million to finance the presidential career of the current chief of state.

Regarding this, he said that his contribution came from "my own funds, funds from third parties, and bank credits." He added that so far the president has not paid back that debt, despite the warning he gave him through a "document."

He said that by the end of December 1989, only five months after entering the government, he moved away from Menem because, up to that moment, he had expected "a serious and consistent policy." He added that "as time went by, many people became disappointed" with the president's management.

Rotundo, who also said that lately he has received anonymous threats to "stop the denunciations or he would be sorry for them," said that during the preelectoral period "there were attempts to charge money for a meeting" with Menem.

He thus reported what happened to the "U.S. Bechtel" company, the leaders of which went to see him to tell him that Menem's "collaborators" wanted to charge them $50,000 for a meeting, although he said he did not know who those collaborators were.

Former Military President Under House Arrest

PY2602230092 Buenos Aires BUENOS AIRES HERALD in English 26 Feb 92 p 1

[Text] (NA-DYN)—Former Military President Alejandro Lanusse has been officially sanctioned for declarations he made to the magazine Somos concerning the Argentine military and the government of President Carlos Menem. The length of the sanction was not stated, however. Sources revealed that Lanusse was sentenced to 15 days of house arrest.

Lanusse, in an article published last Friday [21 February], said that corruption in this country began in 1973 and continues to prevail. He also stated his lack of confidence in President Menem because he appears to improvise.

Defence Minister Antonio Erman Gonzalez responded to the criticisms by saying that Lanusse has the choice of retracting or confirming his declarations. Gonzalez added that if the statements were not retracted, he would analyze the scope of the accusations and determine the appropriate sanction.

Yesterday Lanusse affirmed his statements saying that corruption has been a part of the Army, specifically since the introduction of the military "Process." Lanusse met with General Mario Candido Diaz for less than 45 minutes during which time he reiterated his earlier remarks.

Gonzalez believes that Lanusse committed an act of "indiscipline" by referring to President Menem, who is Armed Forces commander-in-chief, with litte respect. He added that other groups within the military who have been affected by the comments will take the appropriate actions before the Army's Court of Honour.

President Menem responded to the statements saying that Lanusse "failed totally both in the military and politically" and that he should "definitely shut his mouth."

Similarly, Interior Minister Jose Luis Manzano spoke out against Lanusse saying that he was only "stirring up ghosts and voices of the past."

The block of Justicialista deputies yesterday also expressed anger at the remarks calling them "false and injurious." Lanusse had said that "no one can be a Peronist and honest at the same time."

Bolivia

Government To Oppose Multinational Drug Force

PY2602211092 Madrid EFE in Spanish 1725 GMT 25 Feb 92

[Excerpt] La Paz, 25 Feb (EFE)—After receiving a letter from the Catholic Church and several organizations that reject repression as a solution to the drug-trafficking

problem, President Jaime Paz Zamora stated today, that Bolivia will oppose any type of transitional force that might like to fight drug trafficking.

The letter is signed by La Paz Archbishop Luis Sainz; United Left (IU) Deputies Gregorio Lanza and Rafael Puente; and leaders of the press, human rights organizations, and coca growers.

In the letter, the signatories ask the president to keep a "clear and consistent" position with the "coca for development" theory at the antidrug "summit" that will begin tomorrow, 26 February, in San Antonio (Texas).

In an effort to clear any possible concern among Bolivians about the confirmation that one of the U.S. proposals is the creation of a multinational force that will act without border limitations in the antidrug fight, Paz said that the Bolivian position is "absolutely clear."

"We do not need weapons; we need human actions," the letter states, stressing the citizens' concern over the "warmongering tone" of the U.S. proposal when the solution to the drug problem, as far as Bolivia is concerned, has "an economic and not a repressive solution."

The letter conveys the conclusions of an analysis meeting this past weekend in Cochabamba of the first Andean "summit" held in Cartagena de Indias in 1990, in which President Bush also participated. [passage omitted]

Paz Comments

PY2602130692 La Paz Radio Fides Network in Spanish 1100 GMT 26 Feb 92

[Text] President Jaime Paz Zamora will arrive in San Antonio, Texas, this morning to attend the Cartagena-2 meeting at which the drug-trafficking issue will be discussed within the framework of the alternative plans to replace coca.

Before boarding the plane, President Paz said that the Bolivian people will not agree to the creation of a multinational force to fight drug trafficking. President Paz will demand coca for development. He said:

[Begin Paz recording] I will consider the content of the letter I have just received. One point I would like to clarify to the media, which should be reiterated, is that the participation of the Armed Forces has nothing to do with this meeting. The meeting will not discuss this issue. This will be a multilateral meeting where the Armed Forces issue will not be discussed, a decision made by all the countries involved, especially Bolivia. I also would like to say that you may rest assured that Bolivia definitely will oppose any type of multinational force in our country. [end recording]

Military To Cooperate

PY2702011492 La Paz La Red Panamericana in Spanish 0000 GMT 27 Feb 92

[Text] The Armed Forces will fully respect any decision adopted by President Jaime Paz Zamora at the San Antonio summit concerning the antidrug fight.

General Alejandro Camponovo, commander in chief of the Armed Forces, said that the U.S. proposal for the probable creation of a multinational antidrug force can be thoroughly debated. [Recorded passage indistinct]

When asked about the crisis affecting political parties, Gen. Camponovo said that the military institution is not political, and for this reason he cannot comment.

ADN Says 'Democratization' Movement Controlled

PY2602001492 La Paz PRESENCIA in Spanish 14 Feb 92 p 7

[Excerpt] The National Democratic Action [ADN] leadership stated yesterday that it has controlled a movement, that, led by some 30 leaders, asked for a democratization of the ADN leadership a few hours ago. This was the toughest internal crisis General Hugo Banzer's party has experienced in recent months.

"I believe everything is under control," Jorge Landivar, ADN executive secretary, told PRESENCIA last night. He said that two of the most important leaders involved in the movement—Raul Vargas, Oruro ADN leader, and Senator Pablo Caballero—apologized yesterday and retracted their principle demand: internal elections within their party.

The rebels—who, according to Landivar, expressed contempt by publicly ignoring the ADN Political Committee's decision to suspend the elections and empower Banzer to designate new party leaders—will be judged in the next few hours by a Court of Honor that the ADN Political Committee expressly formed yesterday during a special session.

Meanwhile, Roberto Vega, a deputy and a former La Paz ADN leader, who also sponsored the "pro-democracy document," said last night that he was willing to talk with the party's leadership, but announced that he would not give up his petition to hold internal elections.

Insisting that "there must be a consensus by all ADN members" on designations to party posts, Vega said: "We are not upholding an intransigent or capricious position. Our petition is firmly based on the need to institutionalize the party through internal elections in order to legitimize the new leaders." [passage omitted]

Iturralde Installs Three New Under Secretaries

PY2702000292 La Paz PRESENCIA in Spanish 4 Feb 92 p 7

[Summary] During a ceremony at the Foreign Ministry Hall of Honor, Foreign Minister Carlos Iturralde installed yesterday three new Foreign Ministry under secretaries. Manfredo Kempff, former information minister, is the new under secretary general of Foreign Relations and Worship. Humberto Bohrt Artieda is the new under secretary of Bilateral Affairs, and Bernardo Inch Calvimontes was installed as under secretary of Multilateral and Integration Affairs.

Immigration Under Secretary Tenders Resignation

PY2602211692 La Paz Television Boliviana Network in Spanish 1700 GMT 26 Feb 92

[Excerpt] Jose Luis Paredes Munoz, immigration under secretary, said that there were no irregularities during his tenure and that this must be proven by the person succeeding him in his post.

Following some reports that illegal passports were issued by the office subordinate to the Interior Ministry, Paredes tendered his irrevocable resignation. [passage omitted]

Brazil

Magalhaes Elected Liberal Front Party Leader

PY2702000692 Rio de Janeiro O GLOBO in Portuguese 19 Feb 92 p 3

[Summary] Yesterday, Deputy Luiz Eduardo Magalhaes (PFL-BA) [Liberal Front Party - Bahia State] was elected leader of the PFL and of the National Reconstruction Party blocs in the Chamber of Deputies. He is Governor Antonio Carlos Magalhaes' son and will replace Ricardo Fiuza, who was named social action minister.

* CMA Chief Views Army Role in Region

92SM0245B Sao Paulo FOLHA DE SAO PAULO in Portuguese 15 Jan 92 p 1-5

[Interview with General Carlos Annibal Pacheco, new commander of the Amazon Military Command, conducted by FOLHA Manaus correspondent Efrem Ribeiro; place and date not given. First three paragraphs are FOLHA introduction.]

[Text] The new commander of the CMA [Amazon Military Command], General Carlos Annibal Pacheco, 63, advocates joint action by the Army and ecologists in the region. In contrast to his predecessors, Pacheco sees "points of contact" between the work of the Army and that of ecological organizations. Yesterday he took over the command of the CMA, which is headquartered in Manaus, Amazonas State.

Pacheco comes to the CMA after a series of differences of opinion with the former military chiefs in the Amazon and with ecologists. Military attache in Bolivia from 1979 to 1981, Pacheco used to head the Army Communications Engineering Department in Brasilia.

In an interview with FOLHA, the general said there is no risk that the Amazon will be internationalized. He said the Army can provide social assistance to the Indians of the region. Following are the most important excerpts from that interview.

[Ribeiro] A few months prior to Eco-92, you are replacing generals whose expressed views differ from that of the federal government. Since your experience has been associated with diplomacy, to whom do you attribute your selection to command the CMA?

[Pacheco] My assignment to the Amazon was the result of routine career considerations. In my specific case, General Antenor de Santa Cruz (who left the CMA command yesterday) had reached the end of his time in active service. He had to be replaced.

[Ribeiro] The Army's position in the Amazon has been one of criticism and combat against the ecologists. What is your position on this issue?

[Pacheco] I do not remember any "combat." You are the one who used that word. I believe the ecologists have a job to do, and we also have a job to do. And in this work, when it is joint, we can find points of contact.

[Ribeiro] What are these points of contact?

[Pacheco] The points of contact will always be in whatever is in the interests of the region, the interests of nature, and the interests of the residents. And in that, we will always be together.

[Ribeiro] Might Eco-92 make decisions on international interference in the Amazon?

[Pacheco] I am only a military commander in the Amazon. Rio-92, not Eco-92, is an international meeting with objectives that, in my opinion, do not in any way dictate what I have to do in carrying out the duties of my position.

[Ribeiro] Is there a risk that the Amazon may be internationalized?

[Pacheco] I don't believe so. I think the Amazon is so Brazilian and is so deeply rooted in the hearts of the Brazilian people that, for that reason alone, there would be no chance of it being internationalized, because the national spirit itself would not accept that.

[Ribeiro] Your predecessors expressed the fear that demarcation of Indian lands along Brazil's border with other countries would pose a threat to national sovereignty. What do you think about the demarcation of Indian lands in the strip along the border?

[Pacheco] The decision to draw the boundaries of the Indian areas along the border was made by the government after much thought. The pros and cons were weighed, and the decision will have to be observed by the federal troops that are here. I believe we will have to maintain national security despite the area being Indian, and regardless of any other factor that may exist in the area.

[Ribeiro] Might the Army start providing social assistance to the Indians of the region?

[Pacheco] Throughout its history, especially during the colonization of the Amazon and the West Central zone, the Army has always given priority to its relationship with the indigenous peoples, whether logistically in military colonies or, as today, in our platoons along the border and in our posts within the Calha Norte project. We will always be attentive to those peoples.

[Ribeiro] Is the Army's force of 18,000 men in the Amazon big enough to protect this country's borders in the region?

[Pacheco] The Army's force in the Amazon is just a beginning. It is as big as the nation can presently assign to the Amazon. The trend is for the Army in the Amazon to grow. And we have grown gradually. Right now we are thinking about bringing an infantry brigade into the region.

[Box p 1-5]

The War of the "Idiots"

The Shouting Match Between the Ecologists and the Military

In July 1991, then-Military Commander of the Amazon General Antenor de Santa Cruz Abreu said the internationalization of the region—advocated by European governments—"would make the Amazon another Vietnam"; Amazonas Governor Gilberto Mestrinho said he would be "the first to take up arms."

In August, then-Chief of the General Staff of the Military Command of the Amazon General Thaumaturgo de Sotero Vaz attacked the ecologists and said that "if those idiots try to come in here, we will come down hard on them like guerrillas."

Secretary of the Environment Jose Lutzemberger called Mestrinho "ridiculous" and Thaumaturgo an "idiot."

In October, former Minister of the Army Leonidas Pires Goncalves called Lutzemberger an "internationalist and a man without a country"; Rio de Janeiro Alderman Alfredo Sirkis of the PV [Truth Party] said Leonidas "does not have the moral standing to say anything about the Amazon."

* Air Minister Views Embraer Privatization

92SM0245C Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Jan 92 Economic Section p 7

[Interview with Aeronautics Minister Brigadier General Socrates Monteiro by Severino Goes and Armando Mendes of AGENCIA ESTADO; place and date not given; first two paragraphs are O ESTADO introduction.]

[Text] Brasilia—In recent days, Aeronautics Minister Brigadier General Socrates Monteiro has devoted his time to a veritable crusade: defending the privatization of the Brazilian Aeronautics Company (Embraer), which will pass into the hands of private capital sometime this year. "The way to strengthen the company is to give it its freedom," the minister said in an interview with Severino Goes and Armando Mendes of AGENCIA ESTADO.

The victim of government planning errors and funds shortages that led to last year's loss of about $700 million, Embraer—the minister insists—will be financially overhauled before it is privatized. He recalls that last year the Federal Senate approved a loan of $407 million so that the company could deal with its problems. "There can be no clearer evidence of the effort to straighten out the company," he said. "We are not talking about liquidating a bankrupt estate."

[AGENCIA ESTADO] Why privatize Embraer if the government has always considered the aviation industry to be of strategic importance?

[Socrates] Embraer cannot be assessed in isolation. When you talk about privatization, you are talking about releasing the state from investing in that activity, you are talking about flexibility of business administration. Embraer is a strategic business for the government and for the Air Force, but it is an aircraft factory. And aircraft manufacturers all over the world are going through a terrible crisis at present. Look, the one who has to support a project in an aircraft company is its majority shareholder which, in the case of Embraer, is also the federal government. The government's financial problems cripple the mechanisms by which the aircraft are financed. It is time to understand that the company needs oxygen and fuel.

[AGENCIA ESTADO] And so its status as a state corporation is hurting Embraer's very performance?

[Socrates] That is the way the company and the Aeronautics High Command see it. The decision to privatize was reached by consensus, and was unanimous.

[AGENCIA ESTADO] Does the government plan to overhaul Embraer before putting it under private control?

[Socrates] The government authorized, the Ministry of Aeronautics negotiated, and the Federal Senate approved a $407 million loan to the company in July.

The Ministry of Aeronautics feels the same way about Embraer as a father feels about his son, but we understand that the company belongs neither to the Ministry nor to the federal government—it is the property of the Brazilian public. We do not want to fool around with this company, we want to treat it as it needs to be treated, with all seriousness. The government will take the necessary precautions to that end.

[AGENCIA ESTADO] How so?

[Socrates] In the case of Celma [Electromechanical Company], the first Ministry of Aeronautics company to be privatized, we inserted a special share clause into the sales contract, something the British call a "golden share." The share is not worth any money but it gives us the ability, for a ten-year period, to veto any decision by the directors that would shift the company away from its stated purpose.

[AGENCIA ESTADO] Will that be used in the case of Embraer to protect the military interests that it pursues?

[Socrates] To protect the national interest. Embraer today must stand behind all the aircraft it has already sold. That is a responsibility of the Brazilian government, not of the Ministry of Aeronautics. Embraer has to continue to support its planes with spare parts, components, and service. It cannot run risks, and we are not going to let it run risks.

[AGENCIA ESTADO] What are the points within Embraer that are to be preserved?

[Socrates] A committee will work step by step with the company in making a survey of the commercial requirements. We want to insert an item that requires the company to provide support to the Brazilian Air Force, because it makes one of our military planes and because it is responsible for 70 percent of our fleet. Support for the products in Brazil and elsewhere is another item. It has to be responsible for the continuity of the programs it is already working on.

[AGENCIA ESTADO] But work on these programs has been decelerated....

[Socrates] Yes, for lack of capital. And who would be so brave as to ask for money at a time when the government is having trouble paying the pensioners, or paying for the CIAC's [Integrated Child Support Centers]?

[AGENCIA ESTADO] So Embraer still has a future?

[Socrates] Not "still," please. We believe very firmly in the future of the company. Capital is all that is lacking.

[AGENCIA ESTADO] What will happen to Embraer's military programs?

[Socrates] No company will stop making a product if the customer keeps paying. The only chance that the military programs will be in jeopardy at Embraer is if the government stops paying. This is the challenge we face.

[AGENCIA ESTADO] Doesn't the existence of a special share and a government veto power over the company make the company less attractive to a potential buyer?

[Socrates] Yes. We know it does. But we did not invent the "golden share"; that's something that exists all over the world. It is likely that we might get $800 million instead of $1 billion.

[AGENCIA ESTADO] Do you think any domestic groups will participate in the privatization?

[Socrates] I have strong indications that they will. We have become used to thinking of Embraer as a beautiful young woman in high heels. But she also does the laundry and has to belly up to the washtub. The company makes the wing flaps for the McDonnell Douglas MD-11. A month ago, it signed a contract with Boeing to make parts for the Boeing 777, which is still on the drawing board. We want it not only to make airplanes—the image it created in all our minds—but to make parts in order to support itself while the engineers develop new products.

* Regulations Governing ZPE's Modified

92SM0245D Sao Paulo VEJA in Portuguese
15 Jan 92 p 67

[Text] On 2 January, President Fernando Collor de Mello approved changes in the 1989 law that created the export processing zones, or ZPE's. Those chances stiffen the requirements that the companies must satisfy in order to set up companies in the ZPE's—which is very good. A ZPE is a closed environment adjacent to a port, railroad, or an airport where companies can install machinery and equipment, import raw materials without paying a penny in taxes, and produce whatever they want. The only obligation a company assumes when it sets up shop in those tax-free zones is to export all of its production. The idea is a good one; it works in the exporter nations of Asia, in Mexico, and even in the United States, but the implantation of the ZPE's raised concerns during the era when President Jose Sarney structured the plan.

The changes made by Collor seem to make the ZPE's more palatable. Under Sarney's plan, firms could export as much as 10 percent of their production to Brazil itself, which would be unfair to companies that operate in other locales and pay duties to import machinery and raw materials. That option was abolished by the Congress in December and the move was sanctioned by the president at the beginning of the year. Another modification in the original plan: initially, a company had permission to operate in a ZPE for only ten years before it would have to get a new authorization. The term has now been extended to 20 years, which gives the businessman more breathing room. "The less we get in the way of the investor, the better," says Jorge Nelson Smorigo, director of the special projects department of the Regional Development Secretariat.

Sao Sebastiao

When President Jose Sarney first raised the idea of planting ZPE's in Brazil, he irritated businessmen in the southern part of the country because it seemed to them that yet another extravagant scheme like the Manaus Free Zone was afoot. True, Sarney's intention was to help states in the Northeast, but the ZPE's themselves do no harm to the economy. On the contrary, because they produce goods without paying taxes, they are more competitive when they sell their products on the foreign market. The country gains in terms of foreign currency inflows and from the income tax levied on the profits from those exports—not to mention beneficial side effects such as creation of jobs.

Apparently, businessmen in the South no longer resent the ZPE's, even though most of the 14 projects that have already been approved are in fact located in states that have no industrial tradition. Last Friday, Regional Development Secretary Egberto Baptista talked with businessman Mario Amato, president of the Federation of Industries of Sao Paulo, FIESP. Amato told the secretary he intends to submit a plan for a ZPE in Sao Paulo State, to be set up near the port of Sao Sebastiao.

The one who is extremely anxious to open up his ZPE right away is Pernambuco Governor Joaquim Francisco. Last week he questioned the technical experts at the Regional Development Secretariat at length concerning the changes in the law. The Pernambuco ZPE, being built at the port of Suape, 50 km from Recife, is almost ready. "We want to get ahead of the game and attract investments as quickly as possible," Joaquim Francisco said. According to the governor's estimates, the first 100 hectares of the Pernambucan ZPE (it will have 450 hectares in all) will be ready for occupation by companies in 1993.

Risk

The entire northern part of Mexico is one gigantic ZPE, containing companies that import machinery and components from the United States, assemble products using Mexican labor, and re-export their production to the American market. This may not be very good for the United States, but it has been excellent for the Mexican economy. Japan and all the Asian Tigers have given themselves a boost by similar mechanisms, fully exempting their exporter companies from taxes. Tens of ZPE's function in Colombia, India, and Indonesia, countries whose economic profile is similar to Brazil's.

One of the criticisms that can still be made with regard to the Brazilian ZPE's is the haste with which they were created. Brazil has had only one experience with tax exemptions—the Manaus Free Zone—and that has been a complete disaster. "ZPE's can be used for tax evasion and contraband. In Brazil, it will be very difficult to keep tabs on them," said economist Adroaldo Moura da Silva, vice president of Silex Trading, a foreign trade company in Sao Paulo. He reasons that it would be prudent to begin the ZPE experiment on a modest scale, with one or two pilot projects. When the Manaus Free Zone was created, it was thought it would work like some sort of export machine. The plan did not work out; the Free Zone exports mainly to Brazil, and now it would be hard to dismantle it. With all this haste to plant ZPE's, we are running the same risk.

Chile

Lower House Approves Veto of Municipal Law

PY2602145292 Santiago Television Nacional de Chile Network in Spanish 0130 GMT 26 Feb 92

[Speaker identified by screen caption]

[Excerpts] Following a year and a half of complex procedures and exhaustive negotiations, the Chamber of Deputies has approved the organic municipal law that foresees municipal elections next 28 June. This will be the first democratic election of councilmen in 20 years.

The law was approved during a special session that interrupted the legislative branch's summer recess.

An quick debate by the Chamber of Deputies, which was the result of a previous political agreement among the government, the Coalition of Parties for Democracy, and the opposition resulted in 98 votes in favor and none against, thereby approving the presidential veto of 11 articles of the conflictive municipal law. [passage omitted]

[Begin Enrique Correa, minister secretary general of government, recording] Elections will be held in June. The citizens will elect their district authorities. Government authorities will thus be in closer contact with the people, more aware of their daily activities and problems. [end recording] [passage omitted]

Following the Chamber of Deputies' approval of the presidential veto by 98 votes in favor and none against, it is hoped that the Senate will also unanimously approve the organic municipal law on 27 February.

Aylwin Meets With Japanese Businessmen

PY2702114492 Santiago Television Nacional de Chile Network in Spanish 2330 GMT 26 Feb 92

[Text] At La Moneda Palace, President Patricio Aylwin confirmed that he will make an official visit to Japan this year. The trip has been scheduled for late October. The information was announced during a meeting the chief executive held this morning with a Japanese entrepreneurial delegation headed by Japanese Finance Ministry adviser (Makoto Utsumi).

President Aylwin told the Japanese delegation that his government is very interested in enhancing economic relations between the two countries, especially considering that Japan was Chile's main trading partner in 1991.

[Begin Aylwin recording] We are optimistic about the possibility of an important increase in Japanese investments in Chile. We are engaged in providing maximum stability for our economy. We are practicing an open market, a competitive economic system based on clear and stable rules. [end recording]

The visiting delegation is touring South America to gain an insight into economic policies and review possible investments this year. Delegation members pointed out that, with the stability demonstrated by the Chilean economy, it is very possible that Japanese investments will increase even more this year.

Pinochet's Remarks on Commanders 'Unjustified'

PY2602182492 Santiago Radio Chilena Network in Spanish 1600 GMT 26 Feb 92

[Excerpt] Defense Minister Patricio Rojas said that the remarks made by General Augusto Pinochet during his recent visit to Iquique are unjustified.

Pinochet said that Rojas' comments on the amendment of the law by which the Armed Forces' commanders are irremovable are the sort of remarks one makes without thinking.

Rojas said this:

[Begin recording] I will discuss this subject with Gen. Pinochet when he returns on Tuesday [2 March]. We have several pending issues, but he has obviously forgotten that the permanence and appointment of military commanders is a pending issue which President Patricio Aylwin mentioned in his 21 May speech. Those who listened to the speech or read it must be aware that this is a proposal the government made right from the beginning. [end recording] [passage omitted]

Ambassador to Haiti To Return to Post 29 Feb

PY2702010492 Santiago Radio Cooperativa Network in Spanish 2200 GMT 26 Feb 92

[Report by Rafael Illanes from the Foreign Ministry]

[Excerpts] Chilean Ambassador to Haiti Luis Larrain has confirmed that on 29 February he will return to that country to resume his duties. This decision was made following the announcement of an OAS-sponsored agreement for Jean-Bertrand Aristide to reassume power.

The diplomat stated that he will return to the embassy this weekend and return to work on 2 or 3 March. [passage omitted]

[Begin Larrain recording] President Aristide has not returned yet. It is not known exactly when he will reassume power. Of course, when he returns to power, I will visit him and convey our country's full solidarity. [end recording]

The ambassador also indicated that his mission's main objective will be to strengthen the ties that have always existed.

Luis Larrain also made it clear that diplomatic relations between Chile and Haiti were not broken after the coup.

The ambassador added that he has been staying in Chile for the past few months following a Foreign Ministry request to report.

In conclusion, the ambassador said that, in view of this situation, it is not necessary to present credentials again.

Creation of Independent Movement Announced

PY2602201992 Santiago Radio Chilena Network in Spanish 1600 GMT 26 Feb 92

[Summary] The creation of the so-called Chilean Independent Movement [Movimiento Independiente de Chile] was announced this morning. The new movement is headed by Luis Espinoza Cabrera, who is president of the association of retired and dismissed municipal workers of Chile.

Colombia

Former M-19 Rebels Seize Spanish Embassy

PA2702030392 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 27 Feb 92

[Report by Jose Luis Ramirez]

[Text] Fifteen former M-19 [19 April Movement] and EPL [Popular Liberation Army] guerrillas seized the Spanish Embassy in northern Santa Fe de Bogota on 26 February. They managed to enter the diplomatic mission by claiming they had an urgent communique for the ambassador. The Spanish Embassy—where activities were paralyzed for approximately six hours—denounced the diplomatic mission's seizure by the former guerrillas.

[Begin recording, Minister Counselor Agustin Nunez] These men entered the embassy surreptitiously. We have contacted leaders of the group they reportedly represent, the M-19. This is an illegal takeover of the embassy. [end recording]

The former guerrilla members justified their act by stating the government has failed to implement the agreements signed two years ago in Santo Domingo, Cauca Department, for their return to civilian life.

According to the group, more than 90 activists have been assassinated since then, and more than 70 fighters are still in 132 prisons throughout the country. They also complained that M-19 leaders now ignore them.

[Begin recording] [First former M-19 member] We represent comrades who failed to find the mechanisms to solve their problems and many others who have not been protected by the reintegration programs.

[Second former M-19 member] The reintegration problem prevails throughout the country. It affects the fighters of all the demobilized organizations. [end recording]

The former guerrilla members demanded credits and the creation of a government commission to directly handle their problems without intervention from M-19 leaders.

Former Guerrillas Leave

PA2602222092 Madrid EFE in Spanish 2119 GMT 26 Feb 92

[Text] Santa Fe de Bogota, 26 Feb (EFE)—Ricardo Santamaria, presidential adviser for national security, said that the approximately 20 former guerrillas who occupied the Spanish Embassy in Bogota 26 February decided to leave peacefully.

The official said that the former rebels agreed to meet in his office "once the embassy was vacated."

On the morning of 26 February, about 20 former 19 April Movement (M-19) guerrillas peacefully occupied the Spanish Embassy to protest the government's policy of reintegrating them into civilian life.

Santamaria said, after a telephone conservation with the former guerrillas, that the government assured them that "it is absolutely willing to listen to their complaints" and to meet their needs.

Sources from the M-19 National Democratic Alliance Party and the Spanish Embassy told EFE that the protesters sought to call attention to the problems former guerrillas are confronting in the reintegration process which, according to them, is not being complied with.

The former guerrillas handed the Spanish diplomats a communique in which they complained about operational problems in the reintegration program and demanded a discussion on the issue by a commission of government representatives.

The M-19 laid down its arms in 1990 and became a political party after 16 years of armed struggle.

Former rebels of the Popular Liberation Army and Workers Revolutionary Party, who signed peace agreements with the government last year, participated with the former M-19 guerrillas in the peaceful occupation of the Spanish Embassy.

Rebel Group Announces No Truce for Elections

PA2602235892 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 26 Feb 92

[Text] The Revolutionary Armed Forces of Colombia sent a cassette to several news organizations in which it affirms there will be no truce for the upcoming elections, as requested by several political leaders.

The government reacted immediately to this rebel announcement. We have a statement by Horacio Serpa, the presidential peace adviser. Serpa said in Girardot, during the inaugural session of a seminar on the National Rehabilitation Plan, that efforts to get the peace talks going continue, despite the guerrillas' announcement that there will be no truce—not even for the election.

[Begin Serpa recording] It seems rather an inconvenient position to want to interfere in the democratic process and influence the citizenry illegally. We are seeking democracy, trying to get popular participation, and working to find respect for the Colombian citizen's decisionmaking power. [end recording]

Rebel Actions, Clashes With Government Noted

PA2702043792

[Editorial Report] Following is a compilation of reports on guerrilla activities and clashes with government military units from 18 to 24 February. Source information follows in parentheses after each item.

Orlando Gutierrez, rancher and councilman from Acacias Municipality, who had been kidnapped by Revolutionary Armed Forces of Colombia, FARC, guerrillas, was freed in a military operation on 17 February in which army units reportedly killed four guerrillas. (Santa Fe de Bogota EL TIEMPO in Spanish 18 Feb 92 p 7A)

In a 19 February FARC attack on the town of Yali, a civilian was killed, 12 policemen were wounded, a police station was destroyed, and a bank was looted. A woman was killed and her daughter was injured when they stepped on a land mine left behind by rebels in San Vicente de Chururi. (Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 20 Feb)

Four policemen were killed when alleged guerrillas fired at their car on 20 February in the town of Aguachica, Cesar Department. (Madrid EFE in Spanish 1325 GMT 21 Feb 92)

Police confiscated three shipments of weapons destined for the Simon Bolivar National Guerrilla Coordinating Board, CNGSB. The operation took place in Valle, Tolima, and Choco Departments on 20 February. (Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 21 Feb 92)

Authorities reported that unidentified individuals kidnapped a businessman in Medellin, killing his driver and two bodyguards on 20 February. Antioquia Department authorities reported the disappearance of a Canadian anthropologist near Unguia, Choco Department, and the kidnapping of U.S. geologist in Uraba, Antioquia Department. (Santa Fe de Bogota EL TIEMPO in Spanish 21 Feb 92 p 9D)

Two noncommissioned officers, nine soldiers, and a civilian were killed and seven soldiers were wounded on 22 February during a CNGSB ambush on a military truck 15 km from Remedios, Antioquia Department.

The wounded are being treated in Puerto Berrios. (Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0130 GMT 23 Feb 92)

Two policemen and a civilian were killed by guerrillas on 23 February in Guamal, Meta, and Medina, Cundinamarca Department. (Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 24 Feb 92)

Peru

Fujimori To Request Funds at Antidrug Summit

PA2602141792 Lima Global de Television Network in Spanish 0100 GMT 26 Feb 92

[Text] Minutes before leaving for the United States on 25 February to participate in an antidrug summit, President Alberto Fujimori revealed the amounts Peru received from the United States for the antidrug struggle since 1978. The country received only $58 million but spent $154 million in various aspects of this struggle.

Fujimori said at the summit, which will be attended by Andean region presidents, he will request additional financing for the antidrug struggle. The president said the United States contributed $9.8 million in 1991 and this amount was hardly enough to achieve anything. If there is no money it will be difficult to eradicate the illegal growing of coca leaves, he added.

President Fujimori ruled out any proposal to use military repression on the grounds it would be unconstitutional. He said he will hold bilateral meetings with the presidents of the United States, Bolivia, Mexico, and Ecuador:

[Begin Fujimori recording] I hope the process will continue. The lack of adequate financing is slowing the process to replace the illegal growing of coca leaves for a legal activity. This does not necessarily mean it will intensify. It will mean reducing it will take longer, because we will not accept the use of indiscriminate repression as the sole measure to fight drug trafficking.

A comprehensive treatment is needed. We have insisted on this and there is an agreement in place with the United States. Based on this premise, the goal of the farmers—as allies of the state, of the Peruvian Government to replace the growing of coca leaves—requires international support, financing, cooperation, investment, and so on.

Obviously, I feel optimistic enough to say we will receive all the financing we need. There is still a lack of understanding on the part of the international community in this regard. Perhaps some believe this is more of a Peruvian problem than a worldwide one. This is why on each trip I say worldwide responsibility is involved; therefore, the cost of eradicating this must be shared by all countries.

The problem is so complex that no one country should be blamed for failing to meet the goals. I would say, however, there have been no great successes in this antidrug struggle. This is obvious. The truth is the truth. [end recording]

The president left for Texas at 1900 from the Air Group No. 8 of the Peruvian Air Force. Miguel Gonzalez del Rio and Arnaldo Abelardo, Peruvian representatives before the Peru-United States Bilateral Association, are among the members of the executive branch who accompanied him.

Fujimori Vows To End Terrorism Before Term Ends

PA2602144192 Lima Global de Television Network in Spanish 0100 GMT 26 Feb 92

[Text] President Alberto Fujimori reaffirmed on 25 February that by 1995 he will have ended the terrorism problem, although he said the same will not be possible with respect to drug trafficking because of the vested interests involved. The president said approximately 200,000 heads of households who make a living from the activity are involved in this problem, and repressive actions cannot be taken against them. After stating drug consumption is low in Peru, Fujimori reiterated his resolve to replace the coca crops.

[Begin recording] [Fujimori] Huge economic interests are unquestionably involved because Peru is the world's largest coca producer. It produces coca leaves, not cocaine. Peru produces approximately 60 percent of the world's production. We do not have the biggest drug addiction problem. Our problem is the large number of farmers, 250,000 of them, and a huge area of 300,000 hectares of land devoted to this crop.

[Unidentified reporter] Do the big powers understand the nature of the struggle the Peruvian Government is waging against terrorism?

[Fujimori] In reality they do not because they are far from the battlefield. The Peruvian people are the ones suffering the consequences. In addition to the many victims it has claimed, narcoterrorism has also played havoc with our economy. This is manifested through a decrease of Peruvian exports because of our low exchange rate resulting from an abundance of narcodollar.

[Reporter] Is it true that 200,000 farmers cultivate coca crops? How can we eradicate coca without waging a violent war?

[Fujimori] The number of people involved gives us an idea of how to act. We cannot simply implement repressive measures. To go against 200,000 or 250,000 farmers who are heads of households in itself creates a serious problem. Substantive changes in our economic activity will require the cooperation and participation of these farmers, who should take the lead in bringing about these

changes. The Peruvian state has asked them to be its interlocutor in this great process of alternative development.

[Reporter] Will you win the war against drug trafficking?

[Fujimori] I have good reason to believe terrorism will be defeated before my term ends in 1995. Drug trafficking, however, may persist in Alto Huallaga in (La Guaitia) because, I repeat, of vested economic interests, unless the magnitude of aid from abroad changes. [end recording]

Comas Promotes Solidarity Campaign With Cuba

PY2602180292

[Editorial Report] Lima LA REPUBLICA in Spanish on 7 February 1992, on page 10, publishes an open letter from the Comas Municipal District City Hall. In the letter the Lima District municipality expresses its solidarity with the Cuban Revolution.

The letter states that Cuba has endured an increasing economic, commercial, and political blockade imposed by the United States. It states that "the United States is planning to step up this inhuman and antidemocratic blockade in view of the disintegration of the USSR and the failure of the bureaucratic socialist model in East Europe, factors that place the Cuban Revolution at a historic moment."

The letter states that Yankee imperialism, multinational capitalists, and the local bourgeoisie cannot hide the unjust causes of unemployment, poverty, and underdevelopment which Peruvians and Latin Americans in general have been experiencing during 500 years of colonialism and capitalist exploitation. The letter then asserts that the scientific, economic, technological and military development of Europe, the United States, and Asia is essentially based on an unjust international economic order, the cruel and unpayable foreign debt, the imposition of neoliberalism and a market economy which impoverishes Latin American countries and enriches the monopolies.

The letter also states that the great achievements of the Cuban Revolution in the social area are irrefutable and that its contribution toward the goal of Latin American integration is undeniable.

It states that in view of this no true Peruvian patriot or democrat can overlook Cuba's fraternal hand during the hardships experienced by Peruvians, such as the 1970 earthquake and the 1991 cholera epidemic. "The defense of the self-determination and the dignity of the sister-nation of Cuba constitutes one of the noble tasks of the Peruvian people and workers in view of the current slanderous, hypocritical, and arrogant campaign unleashed by the Bush administration." The open letter adds that for Peruvians, "amidst the obscurantism of savage capitalism," Cuba is a ray of hope for Latin Americans.

It continues: "The Peruvian Congress will propose to the United Nations that the U.S. blockade against Cuba be lifted and the U.S. military base at Guantanamo be withdrawn," adding that this proposal should be supported by regional and local governments.

In view of all this it resolves to support the decision adopted by Congress and "to express open and frank solidarity and friendship with the Cuban Revolution by demanding the immediate lifting of the U.S. blockade on Cuba, to promote a solidarity campaign with Cuba, to promote the establishment of a Peruvian-Cuban Friendship House in Comas District, and to promote an anti-imperialistic campaign in support of the Cuban Revolution."

* Industrialists on Economic Policy, Andean Pact

* Program Criticized

92SM0246A Lima EL COMERCIO in Spanish
25 Jan 92 p A5

[Communique by the National Industries Association (SNI), issued in Lima on 25 January: "In Defense of Industry"]

[Text] The accelerated replacement of a state-controlled economy by a system dominated by the free market has caused profound and dangerous distortions in country's economy.

The National Industries Association agrees with the liberal economic model which has been adopted and with the effort which has been undertaken to restore order to the Peruvian economy. On the other hand we disagree with the strategy and policies of our economic leadership.

We believe that the government should not rely exclusively on the free play of market forces to correct the distortions which this rapid change of system has generated, especially when the survival of the majority of our industrial enterprises is at risk. This was evidenced by the company balance sheets published by the Stock Exchange on 30 November 1991.

During the transition from a mixed economy to the present, liberal model, the government should direct its efforts to correct the following problems as soon as possible:

1. The delay in the application of foreign exchange rates which reduces not only the international competitiveness of our export sector but artificially makes imports cheaper, harming domestic production. If a restrictive monetary policy is added to this, it will deepen the recession by a progressive reduction of jobs until industrial enterprises completely close down. To avoid this, it is necessary to carry out a monetary policy which, while avoiding a renewal of inflation, will restore the rate of exchange to its real level.

2. Tax pressures, which fall exclusively on the formal, productive sector. It is necessary to broaden the tax base, increasing the number of taxpayers and lowering tax rates to discourage tax evasion and reducing the number of taxes, rather than resorting to the easy expedient of choking the industrial sector to achieve a balanced budget.

3. Rates of interest, which are three times higher than those in the international market. Confronting domestic industry without warning with imported products under unequal conditions and without having previously corrected existing distortions has resulted in a loss of competitivness and consequently led to short term indebtedness at excessively high rates of interest. Therefore, it is urgently necessary to facilitate the issuance of lines of credit which make it possible to change short term into long term debt at interest rates adequate to deal with the remaining, economic variables.

4. The high cost of electricity and fuel which, in some cases, is seven times higher than the cost of these items in the countries of the Andean Pact and which is due to the high component of taxes in domestic costs. A minimum coherence in economic policy requires that the prices administered by the state should also be competitive.

5. Rigid labor legislation which contributes to reducing productivity. An improvement in productivity is necessary to reduce costs, to provide a better return for labor and capital, and to improve competitiveness. It is necessary to deepen even further the process undertaken to make our system more flexible, both in terms of labor stability on the job as well as pension systems, without increasing costs to employers. (This is the way to provide greater access to jobs for the younger members of our labor force.)

6. Existing terrorism and violence which add from four to 10 percent to the total cost of production of companies for protecting workers' lives and industrial property.

7. The oversized and ineffective state administrative apparatus, which makes it necessary to speed up, over the short term, a process of rationalization and privatization of public enterprises which are losing money and to contribute in that way to fiscal balance without increasing tax pressure on the formal, private sector even further.

In addition to all of that, we believe that competition is healthy and that it benefits the consumers, all of whom are we Peruvians.

However, failure to correct the distortions mentioned above will resutl in the continuation of an unsupportable cost structure—inconsistent with good business management—which will make sales on the domestic market increasingly more difficult and will make it impossible for Peruvian companies to be competitive in foreign markets, particularly with those countries with which we should integrate ourselves over the short term. This situation will lead to the disappearance of Peruvian industrial enterprise.

Therefore, we call for equality of conditions, which is the minimum to be demanded. We said, in May 1991: "We will exert pressure on the government until we obtain conditions of equality which will make it possible for us to compete with imported products." We do not believe that it will be possible to resolve the present economic crisis by forcing the national productive system into its death throes. That would be counterproductive. Lima, 25 Janury 1992. National Industries Association.

* Andean Pact Discussed

92SM0246B Lima EL COMERCIO in Spanish
28 Jan 92 p A5

[Communique by the National Industries Association (SNI), issued in Lima on 28 January: "The SNI and the Andean Pact"]

[Text] The National Industries Association supports Andean integration.

For that integration to be successful it will be necessary:

- For conditions to be equitable for all of the countries concerned.
- For Andean integration to enter into effect once the Common External Tariff has been approved and simultaneously placed into effect by all of the member countries.
- For direct and indirect incentives and subsidies on exports between all of the member countries to be eliminated.

At the most recent meeting of the Andean Pact Commission no agreement was reached on the Common External Tariff, nor on the tariff levels applicable to products not produced or produced in insufficient quantity in the sub region.

Neither has there been progress on the elimination of export incentives and subsidies in effect in some countries of the Gran [Andean Pact].

At present 90 percent of the products made in Colombia, Venezuela, Ecuador, and Bolivia already enter Peru at zero tariff levels.

However, those very products are made in those countries with raw materials imported from third countries paying tariff duties between zero and 5 percent and also enjoying unfair subsidies and incentives which we do not have in Peru.

As long as this inequitable situation is not rectified, we therefore ask the government to apply in Peru compensatory provisions equivalent to existing Peruvian tariff duties for products coming from Andean Pact countries which enjoy those benefits in their countries and whose products enter Peru totally free of tariff duties.

At the same time we recall that Peruvian industry, in general, must deal with additional disadvantages which result from the present situation in which our country finds itself, such as the delayed application of foreign exchange rates, high interest rates, the high cost of energy, the high cost of petroleum products, labor conditions, etc.

As long as the conditions of minimum equity mentioned above are not resolved, integration will be a bad business for Peru.

San Isidro, 28 January 1992. National Industries Association.

* Industrial Sector Assessed

92SM0246C Lima CARETAS in Spanish
27 Jan 92 pp 25-27, 72

[Text] Peruvian industrialists have again presented their demands, alarmed at the prospect that the liberal economic program will not reduce or eradicate the factors which make Peruvian products uncompetitive, while the temptation to import and the activities of street peddlers are increasing at will. There is a recovery under way in some sectors of production, but the recession continues to be a burden for most industrial sectors. And despite all of that, stubborn hope continues to be felt because the philosophy of the free market is the medicine recomended by businessmen as a whole.

On 30 January Minister of Industry Victor Joy Way will say before the ADV [Association of Peruvian Sales and Marketing Managers] that the prospects for domestic industry in 1992 are promising. He will probably be applauded, as has been happening at various forums where businessmen, despite alarms, dangers, and fears, have shown that they are ready to believe. They do this even though they are in water up to their necks, as Senator Javier Diez Canseco put it in a phrase which has turned into something everyone is saying. Nevertheless, there is no doubt that feelings in the industrial sector are no longer like those at the 1991 meeting of CADE [Annual Conference of Business Executives].

For the moment the National Industries Association [SNI], in a statement published on 25 January, has now differed openly "with the strategy and policies of our economic leadership." And it states that the problems caused by the delayed application of foreign exchange rates, the pressure of taxation, interest rates, the high costs of energy and fuel, etc., should be corrected as quickly as possible. Finally, the SNI states that "we do not believe that it will be possible to resolve the present economic crisis by forcing the national productive system into its death throes."

The situation facing domestic industry lends itself to many theories. And this is not only a passing problem. That is, independent of the continuing recession, the challenge of the tariff structure, and the need to deal with industrial reconversion, there are many symptoms that our industry is in a particularly serious and weakened situation.

Speaking of industry as a whole is now a generalized practice which leads to errors. Gabriel Ferrer, a specialist on industrial subjects and a researcher for the Institute of Standardized Consultancies (INAM), points out that one of the most basic elements of analysis, or the percentage of use of installed industrial capacity, reflects the behavior of industry and its situation in 1990. By comparison, a similar analysis of the situation in 1987 shows that the use of installed capacity was then critically low, while an analysis for 1981 shows that the situation then was fairly calm, when looked at now, with the advantage of time. As can be seen in the table below, only the nonferrous metals industry, petroleum refineries, rope manufacturing, beer, cement, tires and tubes, textiles and yarn, basic chemical products, milk products, and sugar refining are using more than 60 percent of their installed capacity. The prospects are favorable for these products, by comparison with 1990 but are unfavorable, compared with what was happening 10 years earlier.

Percentage of Factory Capacity Utilized, 1981-1991/2

Industrial Sector	1981	1987	1991/2
More Than 60 Percent			
Nonferrous Metals	85.0	78.0	80.2
Petroleum Refineries	92.8	93.7	74.1
Rope Manufacturing	63.8	72.9	70.4
Beer and Malt Liquor	81.8	87.4	68.1
Cement	80.1	79.7	65.5
Tires and Tubes	89.7	84.6	64.8
Yarn, Textiles, and Finished Clothing	77.0	90.4	63.9
Basic Chemicals	73.9	82.5	63.3
Dairy Products	69.7	73.3	61.9
Sugar Refining	58.6	64.0	60.6
Between 40 and 60 percent			

Percentage of Factory Capacity Utilized, 1981-1991/2 (Continued)

Industrial Sector	1981	1987	1991/2
Vegetable, Animal Oils and Fats	78.2	76.6	59.2
Chocolate and Confections	67.2	81.0	58.3
Miscellaneous Foods	75.3	82.3	55.7
Grain Milling	82.2	83.0	54.8
Other Chemical Products	69.4	76.0	53.9
Synthetic and Artificial Resins	67.5	85.5	53.9
Tobacco Products	75.4	64.0	51.6
Fish Meal Factories	43.5	59.4	49.6
Paints, Varnishes, and Lacquers	53.1	81.4	48.8
Iron and Steel Industry	76.5	86.4	48.6
Electricity Supply	71.1	78.0	47.5
Foods sold by Weight	77.1	88.8	45.6
Miscellaneous Machinery	79.1	62.6	43.9
Plastic Products	86.5	87.4	41.0
Less Than 40 percent			
Glass and Glass Products	67.6	81.3	39.3
Carbonated Beverages	68.6	82.2	37.5
Paper and Carboard Packaging	71.9	73.4	35.5
Canned Fruits, Vegetables	73.1	70.8	34.5
Miscellaneous Nonmetallic Minerals	88.5	80.4	33.7
Canned Fish and Other Products	58.4	35.1	32.6
Tanneries	84.6	71.5	31.9
Tools, Hardware Articles	70.3	69.9	30.6
Miscellaneous Products	74.5	83.2	29.5
Automotive Vehicles	82.5	58.6	27.8
Paper and Cardboard	72.4	60.8	27.0
Electric Household Appliances	53.3	72.1	26.3
Radio and TV Sets	78.6	79.8	23.9
Miscellaneous Electrical Machinery	53.7	44.1	20.4
Miscellaneous Metallic Products	44.8	56.9	19.3
Alcohol Distillation	36.7	39.0	18.7
Fertilizer and Pesticides	83.0	61.0	18.7

On the other hand, when we look at the situation carefully, it is significant to note the group of industrial sectors and companies which have not reached 60 percent use of installed capacity and which can say that the red alarm light is on for their futures.

From that perspective it can be pointed out that during the period from August to October of 1991 there was a recovery in the use of installed industrial capacity. Ferrer points out: "Undoubtedly, this is not enough evidence for saying that the industrial sector is now recovering." He considers that the recession is still serious. However, as distinguished from other periods, during which these processes were cyclical in nature, at present there is a new ingredient, which is the mark of a liberal policy which basically implies that industry has to adjust itself to different conditions, among which is international competition.

It is also true that during the second term of President Belaunde, when Manuel Ulloa was minister of economy and finance, a similar process of tariff reduction was undertaken, but with some substantial differences. At that time tariff duties were reduced to 60 percent, whereas now we have a 25 percent ceiling on tariff duties. Certain, important restrictions were eliminated on importing but not to the extent that we are seeing now.

Now the question is, what is happening in the industrial sector? It can be pointed out that there are production

lines which are being modernized, such as those involving nonferrous metals, which include all semi-finished manufacturing processes, or chemical products derived from copper, lead, and zinc. This sector is using about 80 percent of installed capacity. It is not only oriented to the domestic market but also exports large quantities of products to many countries of the world and has not been much affected by foreign exchange rates, because its costs are based on the U.S. dollar. For these industries the delay in the application of the foreign exchange rate has not had the impact which, for example, the textile industry (yarn, textiles, and ready made clothing) has suffered from. The textile industry is working at more or less 63 percent of installed capacity and is a highly important sector from the point of view of the generation of foreign exchange, because it exports almost 60 percent of its production. This is a sector which has been affected by the delayed foreign exchange rate and some added costs which it still has. If we compare its productivity with that during 1987 we could say that at this time it has been working at 90 percent of installed capacity. In 1981 it was working at the 77 percent level.

SNI: A Little Air

The SNI is not afraid to compete, but under equal conditions.

If there is something on which all, or almost all industrialists agree, it is in approving the substance but not the form of the neoliberal, economic policy which this government has been following. Perhaps, to some extent, they are right. For while the executive branch of the government is doing its best to bring the country back into the international financial system and to open the door to imports, domestic industry has to meet high operating costs which would make any foreign company stagger.

Siro Tonani, vice president of the National Industries Association, has said, without mincing words and like a good descendent of Italian immigrants, that Carlos Bolona Behr [minister of economy and finance] was like a surgeon who performed a successful operation to remove a cancerous growth. However, when he completed the operation, he refused to sew up the incision, saying that natural forces should heal it, which is ridiculous. In reality, at present a great discussion is going on among industrialists concerning what their attitude toward the government should be, since, on the one hand, they agree with its economic objectives and goals while simultaneously they denounce the blow dealt them by unfair competition with those who smuggle goods and the indiscriminate importation of foreign merchandise.

Industrialists from the textile to the metallurgical industries complain, saying: "How can the government ask us to go through this much touted industrial reconversion when Peru is almost the only country which does not offer middle and long term loans?" It is obvious that without these kinds of loans it will be impossible to replace machinery or optimize production. Siro Tonani adds that he would not disagree with seeing inefficient companies go out of business, provided that this is the result of internal weaknesses rather than external problems.

Our industrialists will continue to have doubts like Hamlet as long as contradictions continue among those who conduct economic policy. Let us remember that whereas Minister of Economy and Finance Bolona is in favor of Peru's withdrawal from the Andean Pact, Minister of Industry Victor Joy Way openly and publicly disagrees with him. Perhaps the expression by one manufacturer graphically expresses the feelings of our businessmen: we are ready to jump into the pool but at least let them put some water into it.

Sign of Alarm

Only 10 sectors of industry can congratulate themselves that they are using more than 60 percent of installed capacity. On the other hand, 14 sectors are between 40 and 60 percent use of installed capacity, a frankly negative range. Some 17 sectors are using less than 40 percent of installed capacity. A comparison with the situation in 1981 is eloquent but not enough. Between 1986 and 1987 industrialists were enthusiastic supporters of a protectionist policy which gave them an advantageous rate of return on their investments. Will those times return under the neoliberal system? That is the question.

It should be mentioned that the textile sector has held its ground, particularly regarding the production of ready-made clothing. Substantial investments have been made over the past five years. This means that installed capacity has increased in the ready-made clothing sector. It is estimated that investments in machinery over the past five years in this sector have been in the order of $150 million.

The fact that the textile sector is exporting 60 percent of its production does not mean that it is in a good situation. Quite the contrary, says Ricardo Guadalupe, chief of economic studies at the National Industries Association. He says that this phenomenon is due specifically to low sales volume on the domestic market, due to the serious recession which we are going through. This situation has forced some textile manufacturers to export products which were previously sold entirely in Peru.

Another aspect which affects this sector is the import of cloth, particularly from Asia, which comes into the country in many cases at low prices equivalent to "dumping."

By way of reference we can point to the great controversy which broke out in Chile over the purchase of used clothing from the United States. Here in Peru this kind of product is coming in as a new and profitable business, because a kilogram of clothing from the United States, which costs $0.12, is sold in Peru for a trifling $2.

Nevertheless, not everything is rosy, because, for example, the automotive assembly, electronic, and related sectors have practically disappeared. What remains is an automobile parts industry for the replacement market and certain lines which are going to suffer a great deal, particularly those which have a standardized product for a certain make of automobile. For example, those factories are going to have to reconvert and diversify their production of automobile parts.

Regarding the subject of the process of reconversaion, Ferrer—who prefers to call it modernization—thinks that this process is going to last for several years, since in some cases it will be necessary to adapt the productive unit to different and perhaps more efficient lines of production.

In this respect Spanish industry is an example. It subjected itself to this process of change in a more gradual way during the years prior to the entry of Spain into the European Community. Thanks to substantial financial support ($600 million in the textile sector alone), it had excellent results over the middle term compared to our industry, which is still operating over the short term, or under the short-term system, as some people call it.

The process of reconversion already offers some interesting cases, like that of the Backus Company, for example, which has been turned into a model company, producing not only beer and several carbonated beverages but also processing lemon juice for export, as well as passion fruit. Soon it will enter the canned fruit sector.

Regarding the industrial export sector, it has been said that the crisis through which it is passing is due to the fact that it has not been provided with effective financial support. The SNE [National System of Statistics] states that this does not mean that they are asking for subsidized loans or tax subsidies—which, as Minister of Economy and Finance Bolona puts it—are unthinkable. Rather, they point to the possibility of obtaining access to lines of financing at the international cost and under conditions similar to those which their competitors at the world level have: that is, medium-term lines of credit for capital goods. Equally, the government should make an effort by repaying exporters for the indirect taxes which have still not been paid back and which are affecting their production costs in terms of international competitiveness. They say that a step forward has been taken, but this is not enough.

Furthermore, Ferrer proposes that some mechanisms be tried out which will make it possible for the industrial export sector to modernize itself at an advisable and desirable pace under present prospects.

Some countries like Chile, for example, have what is called private export deposits, which are industrial zones (but which do not consist, as some people suppose, of portable or temporary factories) into which production inputs, semi-finished goods, and capital goods, among other things, are brought to be processed and exported as finished products. They are something like free trade zones, but not in the sense which we have of such areas, which is a little narrow. We also see this system in Mexico, where it is known under the name of "maquiladora" [assembly plants]. This was previously a phenomenon typical of the U.S.-Mexican border area but the arrangement now exists throughout Mexico.

In the Peruvian case it can be said that the juridical framework which the government has established has the principal virtue of setting down conditions which make it possible for the country to be efficient and able to compete at the international level. The time required depends on the way in which these standards are handled, on whether the system of investment in the country is really viable, and whether the mechanisms set down in the law function properly. In this context it will also be necessary for the frictions between the executive and legislative branches of the government to stop once and for all. In reality, conflicts have risen due to great differences in the implementation of its economic model by the government. For example, the Law of Financial Equilibrium and the changes which have been made in it, in which Congress has practically told the executive branch to reduce its expenditures. It has been said: "These conflicts will have to end some time. We only hope that this will happen soon."

There are differing views about the idea of reducing tariff duties to zero, which will enter into effect in our country after July 1992. There are businessmen who say that there is no problem in this respect, since the zero tariff system already applies to 97 percent of the tariff classifications. The remaining classifications, consisting of about 607 categories, should be approved without any problem in July 1992. Ferrer says: "The Peruvian negotiating position has been very clear and is substantially coherent with national economic policy. The impasse with Colombia and Venezuela has arisen because these countries would like to enter into negotiations which were not convenient for us because our industrial structure is more concentrated on semi-finished and finished products. Unlike those two countries, we do not have a major, basic industry."

In short 1992 appears to be a year with better possibilities for the industrial sector, provided that the essential changes are made which imply, on the one hand, improving the conditions of entry of public employees and of the poorer sectors of the population. This will result in broadening the market for consumption goods and, on the other hand, raising the quality of our human resources so that industry can raise its levels of competitiveness. This is a matter which implies accelerating and giving priority to the training of technical cadres and laborers, an area in which Peru is considerably behind.

Uruguay

Measures To Prevent Tide of Strikes Implemented

PY2602114192 Montevideo Radio El Espectador Network in Spanish 0900 GMT 26 Feb 92

[Text] A Labor Ministry source has informed the daily newspaper EL OBSERVADOR that Labor and Social

Security Minister Alvaro Carbone has asked Economy Minister Ignacio de Posadas to implement a plan by which the government will gradually withdraw from salary negotiation boards in the private sector in order to prevent a tide of conflicts.

The source said that the main obstacle is the conditions imposed by the IMF to sign a stand-by agreement with our country next month.

PIT-CNT [Interunion Workers Assembly-National Convention of Workers] economic adviser Juan Manuel Rodriguez has said that unpredictable conflicts, increased inflation, and a drop in the purchasing power of salaries could result from any radical changes in government economic policies on salary negotiations in the private sector.

Rumors have been circulating in the past few hours saying that the executive branch will withdraw entirely from negotiations and all negotiations must be conducted at the company level not at the labor group level. Rodriguez said that total freedom is already a reality and that many negotiations are being conducted outside the influence of the Labor Ministry. The only new point will be if the results of negotiations are not officially sanctioned by the ministry and are thus not applicable to all union branches.

Venezuela

Perez Speaks at Advisory Board Swearing-In

PA2602223792 Caracas Venezolana de Television Network in Spanish 1635 GMT 26 Feb 92

[Speech by President Carlos Andres Perez at swearing-in ceremony of the Presidential Advisory Board; place not given—live]

[Text] Messrs. president and vice president of Congress, senators and deputies, president of the Supreme Court of Justice, prosecutor general of the Republic, president of the Judicial Council, comptroller general and attorney general of the Republic, ministers of the executive office, messrs. members of the Presidential Advisory Board; distinguished representatives of the various fields of national endeavors, men and women of Venezuela: An attempt was made on 4 February to return to a past most Venezuelan youth have not experienced, buried as it was on 23 January 1958. It was an era of dictatorships in Venezuela and Latin America. The Venezuelan people could not talk, nor elect their leaders; dissident and critical voices were confined to jails, exile, or the cemetery. Those were times of the most widespread and serious corruption. People were robbed shamelessly of their resolve through terror and repression, and power was stolen in the manner of this past attempt.

The coup attempt definitely was a conspiracy. The group of officers who violated their oath to the Constitution attempted to violate the rights of all Venezuelans. They stole the lives of over 20 Venezuelan youths, soldiers of the fatherland who had enrolled in the ranks of the Armed Forces to defend and exalt the country, and were forced to turn their weapons against their brothers. Those officers who killed and forced others to kill will not face the violence of the force that they exerted. They will not be attacked; they only will face the law's irreversible action. They will be treated in accordance with the strict regulations of the Constitution and democracy. No more, no less.

Throughout the violent and painful history of our dictatorships, Simon Bolivar's name was ridiculed and used as an emblem of the conspiracy against democracy. The purpose was to destroy every inkling of national resolve, starting with the president of the Republic, passing through congress, the legislative assembly, and the offices of governors, mayors, and Municipal Councils, all popularly elected. The dictators identified ideologically with the goals of fascist totalitarianism.

That is why the coup attempt began with a risk-free attack, without uttering a single word, against the Miraflores Palace and the La Casona presidential residence. They used rifles, machine guns, tanks, and other heavy weapons.

The country indignantly is observing the efforts certain individuals are making to become the spokesmen of the coup leaders, instead of using their energy to help the widows, mothers, children, and relatives of the officers, soldiers, and policemen killed on that ill-fated morning. That proves to us that when the defense of human rights goes through a phase of ideological convenience it is false and does not deserve the people's respect.

This coup attempt was also against the national armed forces. It was the work of ideological infiltrators filled to excess with the radicalism of the past, who gradually joined forces for the coup for the sole purpose of establishing a totalitarian regime in the country. None of the democratic forces have anything to do with the process I have outlined. The coupists were rather small groups that gathered and created a radical civilian and military insurgency plan. As soon as the judicial process now under way allows, the entire country will be apprised of the details of the coup, which I am merely alluding to now.

It would be a serious mistake, however, if I failed to warn that this coup, which had nothing to do with current society's demands, set off activities that have been brewing in the country due to the structural and historical crisis that has unfolded in Venezuela since the eighties.

A crisis gradually grew out of the very heart of the country. It was manifested in the form of social discontent, loss of credibility on the part of political parties and institutions, unbridled abuses of privilege by some sectors, and certain worrisome levels of collective disrespect.

Meanwhile, a large sector of the country's leaders seemed aloof or impassive to society's demands. That situation emerged because the leadership, although capable of building the modern Venezuela we have now, was unable to respond to the challenges its own efforts had created. That is our challenge. We cannot surrender our history or its pledges.

An avalanche of criticism and disqualifications have been unleashed against national institutions, the branches of government, political parties, labor unions, and trade unions, in an incredible show of disregard for all of the organizations that constitute the Venezuelan state's framework. That is a serious and evil mistake.

We should initiate reforms and correctives of the institutions. Otherwise, we would not have the foundations upon which to establish the necessary measures to correct omissions and mistakes—assuming we agree that democracy is the foundation upon which our national life fully rests. We must not destroy everything that can serve to correct and build.

The country has matured and is demanding greater efforts in areas that have not had timely attention. A gap was opened, which is Venezuela's problem. It is not known or appreciated that projects for the general public's benefit are under way, and that social programs exist. The people vote more or less enthusiastically in the elections. Many citizens have lost faith, and a people cannot act without faith.

We are in a situation in which we must correct behavior with a firm hand and without trepidation. We must not allow pessimism and discouragement to be spread by those who either in good faith or encouraged by antidemocratic purposes are determined to destabilize the institutions upon which democracy and freedom rest. Let us all open up to affirmative dialogue that will scrutinize honestly our mistakes and deficiencies. Let us open up to an understanding so that we can make nationwide corrections.

One of the most worrisome issues facing the country now is corruption. That is understandable, because the citizens have understood that corruption, for a number of reasons, is the country's problem. Corruption is condemned; we all condemn it. Complaints are made; we all make them, but neither condemnation nor complaints alone will end corruption. Decisions will end it. I must be very clear on that. Corruption without fear of punishment will cease when we relieve the judicial branch of suspicions of untrustworthiness, and when its convictions or acquittals are respected. We also must make sure that when complaints are filed they are well founded and not aimed at confusing or shocking the people.

We need a judicial branch which, whether it convicts or acquits, will be fair. We need public opinion that will acknowledge guilt or innocence in each case. We can do nothing with a guilty person who is not punished, or innocents marked by the ignominy of unfounded accusations. We must attempt to restore the judicial branch's respectability, instead of abruptly denying its respectability and giving up on it. That will require a profound transformation of this branch of power which we can do immediately by adopting legislative, administrative, and budgetary measures that will prove our determination to the country to strengthen justice.

In March, we will report to the country on judicial reform measures. We must not reject everything. We must give credit to the parties, to Congress, to local legislative assembles, and to municipal councils to initiate reforms. If we do not do that, the door to chaos will be opened, which will create excuses for unjustifiable actions, for acts of violence.

My government has taken strong measures against corruption. We have ended preferential dollars as a source of corruption, to the exports license system, and to export bonuses—a program aimed at promoting and facilitating export activities that was used to acquire bonuses for goods that either never left the country or that never existed.

The law on bidding put an end to uncontested contracts, secured on occasion by ghost companies that sometimes were created to cheat. My government has carried out the struggle against corruption. The struggle would not have been possible without the participation of Congress, which is constituted of parties, but now those institutions are not being given any credit. By what or by whom would they be replaced?

Just as corruption must be denounced, the efforts made must be acknowledged, because public morale is weakened just as much when fraudulent activities abound as when the impression is created that there is a sea of corruption and dishonesty.

I would be acting disrespectfully toward the nation if I were to say there is no longer corruption in Venezuela, or that we are doing whatever is necessary to eliminate it. If we do not notice that it is increasingly difficult for public officials to act in a corrupt fashion because of what we are doing and because of the people's pressure, we would be ignoring what is happening in the country.

Let us join efforts to persevere in this decisive struggle so that we truly may strengthen our democracy. When we announced the decision to privatize several state enterprises, some people rose to say that privatization would become a major source of corruption. Some said it would be my government's Recadi [Differential Exchange System—reference to corruption during Jaime Lusinchi administration], but we have privatized several banks, sugar refineries, hotels, Viasa Airlines, and the National Telephone Company of Venezuela, and no one, not even the most bitter enemies of the government, have been able to find one single case of corruption. That does not mean that we have eliminated corruption.

The parties' situation deserves the country's attention. It is not by rejecting or repudiating them, it is not by

weakening the very foundations of the system that we are going to change what we want to change.

I have said political parties are an essential and irreplaceable part of democracy. That is why the coupists wanted to get rid of the parties and their leaders. That is why there is an antiparty campaign that does not seek the parties' improvement, but their disparagement, knowing that there is no democracy without political parties.

That is the universal essence of all coup d'etats, especially in Latin America.

The parties have to rehabilitate themselves and promote reforms. They have to approve pending changes and change themselves. There is no other way for them to maintain the place of honor that they deserve in this democracy.

There is some dissatisfaction because programs that were offered are not being implemented. We must admit that the reform agreement signed in the Eliptico Room has not yet been fulfilled. On behalf of everyone, I ask the political parties to make a commitment—as an expression of our irrevocable resolve to change—to fulfill as soon as possible that responsibility, which has been put off. That means that the election law must be approved now so that the voting can take place under a uninominal system during the elections. That entails approving the law on political parties, the the law to reform the Supreme Court of Justice, the Comptroller General's Office law, the Attorney General's Office law, and the law restructuring the Social Security system. That entails taking administrative and institutional measures to strengthen the community's trust in its political parties and institutions. But we will not build democracy by disavowing the political parties. That is incontestable. To pretend the opposite is true is the deceit hidden in the sinister proposal to lead us to a dictatorship.

We know there are serious economic and social problems affecting the community. I know that the community has suffered and continues to suffer. I feel the Venezuelan people's anguish and am not removed from it. We did not clearly explain the situation. The state has used up all the nation's savings. The subsidies, protectionism, and state paternalism had undermined seriously the bases of an artificial economy. We had no funds for imports and no one was giving us any credit. Many businessmen had sent their money abroad, changing their earnings into dollars. There was a shortage of supplies. There was a black market for certain products. The people were disappointed. We had to enforce strong measures, not by choice, but because, as the local saying goes, we had been scraping the bottom of the barrel for several years. The economic changes were necessary, but we must reconsider certain aspects and make the necessary corrections. I must acknowledge that, in some areas, we have not reported and explained properly what we have been doing, nor have we been as efficient as we should be. In the next few days, we will be implementing the corrections that will make the adjustment process more tolerable.

As I said in the Christmas and New Year message on 30 December, economic reform always must be enforced with a deep sense of social awareness. We are going to expand the national housing program to include the middle class. We will implement a public transportation plan that will improve substantially the alarming lack of service with a program to finance the purchase of buses and taxis. We will implement a program for generic drugs. We will expand the [word indistinct] program to aid pregnant women and children under six years old. That program will be implemented in large cities such as Caracas and Maracaibo where it has not been operating. The water supply problem will have top priority as well as the programs covering workers' children and family-oriented programs, including the so-called megasocial program, which we already had announced and which was to be implemented immediately. We once again are going to open the Gran Mariscal de Ayacucho scholarship program. The worrisome problems of health and personal safety have top priority in the programs we are implementing. Hospitals and out-patient centers will be renovated. The plans and actions to provide maximum protection for the people and the cities will continue with renewed efforts and additional resources. We will make an all-out effort in these plans as we have already done with the private security corps in Caracas and other cities.

The ministers will explain and give details of these projects in a matter of days; there will be a permanent system of information and contacts with all groups in our society. The financial sector also will strive to lower interest rates. Electricity rates will not be increased. That is, in sum, a series of measures and actions that each minister will explain. The measures will also include substantial efforts to reach a consensus and curb the tendency to increase prices and speculate. We also will sponsor fairs and cooperatives to supply food to the people.

I have sought the opinion of all groups in our society. I invariably will continue along these lines to hear viewpoints, suggestions, and proposals. I have instructed government officials to adopt realistic attitudes that advocate dialogue, to strengthen their listening skills, to remain alert to the people's demands, and to give up any arrogant attitudes. They must realize that they are in the government to serve and not to be served.

The Presidency's Advisory Council, which I have just sworn in, is clear evidence of my government's determination to permit open consultation and dialogue. The permanent and systematic Advisory Council is comprised of important and well-known citizens at the national level. They have no official commitments and represent various activities and positions in the country, so they will help carry out the tasks that the country requires and expects at this moment. What we heard from Doctor Ramon Velasquez should please us all and clarifies the goals, purposes, and determination that prevail among those who today pledged to serve the country just as they outlined in their declaration.

Undoubtedly we have made errors, many errors. When I took office on 2 February 1989, however, I also assumed responsibility for implementing the significant reforms that will permit Venezuela to make the necessary changes in the future. We were certain that it was necessary to implement those changes or else Venezuela's future would be to fall into a deep abyss of failure and desperation. Hence, I decided to run for president a second time. I knew then, as I said in my inaugural speech, and I know it today, that we would endure difficult times. All changes involve pain and resistance; man's natural reaction is to cling to what he knows and reject what is new. I also knew, and know it today, that it was necessary to take risks. There was no other alternative if we really wanted to give Venezuela the opportunity to achieve—through everyone's efforts—a dignified, fair, and truly democratic future, a future we want for ourselves, our children, and our childrens' children.

I request the people's prudent and fair opinion. All we Venezuelans will give ourselves the opportunity the crisis provides. We again will achieve unity. Let us be fraternal and act in solidarity with each other. We must prevent intrigue and hate from dividing and devouring us. We will allow no room for anarchy, only for cooperation. We will rebuild the country we want and deserve by recognizing our errors and gathering strength from our extraordinary spiritual reserves. Under no circumstances can we allow for the interruption, destruction, or replacement of our democratic system. No argument or angry reaction should prevail over the awareness and certainty of what that would represent for the country and for each and every Venezuelan, including those, or many of those, who now seem to sponsor different alternatives.

Let us stop for a moment to meditate on what a dictatorship really represents. Once the legal status quo is broken, no one person is answerable. No person can claim control of the events that will unfold. It is unthinkable that someone could choose such chaos rationally. Only democracy tolerates the interaction between freedom and disagreement, the same disagreement that we sometimes take to extremes and that every so often results in the contrary to what it sets out to obtain. Most of all, during times such as these, the danger of unimaginable proportions would seem sufficient to call for good sense, control of emotions, an end to all feuding and to any desire for revenge. Such cravings only put personal and political ambitions before the established interests of the nation.

When the established legal order is broken, everything plunges into disaster, chaos, violence, imprisonment, and persecution. Everything deteriorates once more to all those things that we left behind on 23 January 1958. Paradoxically, this attack against democracy has taken place at a time when political power is being legally shared, at a regional level, by four political parties. It is shared not as a result of conventional alliances, but because of significant and unmistakable political reforms. The four political parties share responsibilities throughout the 21 states and the federal Amazon territory that form the Republic of Venezuela.

The election of governors and mayors by the people has democratized and decentralized our political system. Other reforms, no less important, are about to be implemented with the same objective of democratizing and opening the system. Let us now conclude with this undeniable and unobjectionable thought: Only democracy guarantees the rights of all persons. Only democracy allows us to be free, to move about as we see fit, to enjoy our rights, and to live in dignity.

Addresses Assembly Delegations

PA2702121992 Caracas Venezolana de Television Network in Spanish 2138 GMT 26 Feb 92

[Speech by President Carlos Andres Perez to Legislative Assembly delegations at Miraflores Palace in Caracas—live]

[Text] Mr. President of the Senate, Mr. President of the Chamber of Deputies, Mr. President and members of the Senate Commission, Mr. President and members of the Chamber of Deputies' Commission:

The national executive branch is gathered here to receive the chambers' announcement that they completed a special 24-day session, called by common agreement between the executive branch and the Congress, to accelerate approval of a set of laws that are important and urgent for the smooth running of public administration and, in general, of the Venezuelan state.

We must start our statement recognizing the congressional commissions by expressing with deep satisfaction that the goals the Congress set out to achieve yielded the most encouraging results. As pointed out here by Senator Felipe Montilla, president of the Senate Commission, those projects that were important and urgent for the government, were approved and other initiatives with similar significance for the Republic's progress were undertaken in such a short period of time.

We must emphasize this, because in the situation we are facing—to which the presidents of the congressional commissions referred—the attitude, activity, and compliance with their duties of certain important state organizations, such as the Congress, have been questioned. Now is the time to say—as the presidents of the commissions have truthfully and honestly stated—that it is not fair to say the legislative body is bogged down in sterile debate and is sidestepping the fulfillment of its main legislative duties.

It is also not fair to say that the debate that absorbs part of its time is the sterile diatribe of confrontation between the parties or the government. Actually, that essential and important democratic body—which is by nature controversial—beside dealing with law, also debates

issues that are important such as those laws pertaining to the smooth running of the Republic.

Let us not say there are no instances when our parliamentary institutions waste time on matters that do not deserve their attention, because that would be untrue. However, which chamber, which Congress, where in the democratic world do such assemblies not operate similarly? That is something we must reflect upon.

We feel concern because people who know the reality of a modern and democratic parliament are many times the ones who support harsh criticism of circumstances that occur daily throughout the world's parliaments. We must now honestly analyze our congressional activities and conclude that it is an organization which, although afflicted by mistakes like all national organizations, fulfills a highly significant and important role in the efforts to modernize the Venezuelan state.

A historical event occurred 26 February at Miraflores Palace. The Presidential Advisory Council was sworn in before a distinguished group of Venezuelans who represent various social sectors. The Advisory Council is comprised of citizens who have distinguished themselves for their exemplary honesty and willingness to serve the Republic. The Advisory Council was created to prove the government is willing to participate in consultation and dialogue, and to make decisions that involve the participation of various social groups. It was also created to prove that the Venezuelan people, meaning those who come from every sector in the country and who have gained prominence by their conduct, capabilities, and services to the country—regardless of their origin, position, ideology, and activities—are willing to serve and help achieve the great goals of Venezuelan democracy. That is the important and historical essence of the event, because it clearly proves that Venezuelan democracy is consolidated in the national sentiment and the willingness to serve shared by all who proudly comprise the homeland, to which we dedicate our love and all our determination to serve.

I have already referred to the Congress, meaning the legislative branch at the national, state, and local levels; the judicial branch; and the executive branch. Talking about Congress, I outlined concepts like the ones I have mentioned. I also said it is necessary to strive and fulfill its pledges to the country. I meant the congressional legislative work, particularly the reforms pact we signed on a memorable day in the Eliptico Room of the Federal Palace. I issued an appeal to the parties that signed the agreement, meaning all those represented in Congress. I urged them to quickly fulfill the pledge. I did not say that certain aspects of the pledge had already been fulfilled. I could specifically refer to two of them: The law to regulate bids, which closed one of the doors to the corruption that anguishes us so much and that had become a dangerous prelude to the demoralization, confusion, and discredit of our homeland. The other is the one you approved in this special session, meaning the electoral law, which establishes a single candidate voting system for the December elections.

The important thing now is that we should move ahead. The law on political parties, on the Comptroller General's Office, on the Attorney General's Office, and other legislative activities should soon be discussed at the sessions that will take place in the next few days, in March, when the 1992 regular sessions of Congress begin. I trust that will happen. The political parties with the most influence in Congress must now make that clear statement. They must accept the challenge before the Venezuelan people. As Doctor Felipe Montilla, president of the Senate commission; and Doctor Luis Emilio Rondon, president of the commission of the Chamber of Deputies, said, we are facing a special situation in our country's life.

When we thought the stage of uprisings and threats against the legitimate exercise of the people's right to vote had been closed once and for all and when we thought the stability of institutions that emerged from the people's sovereignty was guaranteed, we were caught by surprise by the coup attempt. I would like to stress—not with the words of an optimist, but with the firm expression of he who knows his fatherland and has committed himself to serving it—that this is the last time Venezuela will have to suffer the embarrassing situation we have experienced.

I say that because, even though the 4 February incident has been painful and embarrassing for Venezuela, it was also a test which undoubtedly made us stronger. The plotters could not defeat the democratic commitment, the historic commitment of our people. The Armed Forces underwent its toughest test and demonstrated it is a firmly consolidated institution through its respect for the Constitution and the institutions of Venezuelan democracy.

Our people, with their passive presence during those times, demonstrated their willingness to live in a democracy. The truth is that much speculation has been going on and some have rationalized—but I think it is wrong—that Venezuelans did not show on that dramatic morning a firm commitment to defend democracy.

What I think is that the swiftness with which the antidemocratic coup attempt was suffocated and the unsuspecting and confident conscience of our people under those circumstances did not make it necessary for the people to express themselves as on other occasions.

None of the leaders, none of the prominent leaders from our country, went out to a television or radio station in the pre-dawn hours to ask the people to gather in public squares. All Venezuelans headed to their workplaces in the morning of 4 February. Normal life in the country was not at all disturbed by that event.

I fully agree with Senator Montilla that we must be concerned by the pessimism and because all Venezuelans are weary of what is construed to be a lack of enthusiasm

or responsibility on the part of those who in our diverse national activities have imposed on ourselves the responsibility of guiding the fate of the nation in official or productive activities and in other areas of national life.

That situation requires reflection by all Venezuelans who occupy leadership positions because weariness is palpable and it has prompted certain voices—certainly honest ones—to alert the country and other voices to show pessimism over Venezuela's future.

However, still other voices—which are fortunately a minority, but probably a most dangerous one—have tried to seize the situation to create a sensation among the people that it is unworthy to defend democracy, the parties, and the various institutions that comprise the Venezuelan state.

In view of that, the leader and guide of the country's diverse activities must come out to say—with a calm but firm voice—that he is willing to assume his responsibilities and make corrections and rectifications in the areas of national life where he failed to comply with the duties and obligations he accepted.

I wish to say to Venezuelans, through this genuine representation of the Venezuelan Congress, that the 4 February developments brought home to us our most specific and unavoidable responsibility: We must demonstrate that we are capable and ready to face the challenges that Venezuela has placed before us. It is not true that we wasted our time in these 30 years of democracy; it is not true that democracy turned into frustration in Venezuela. Venezuela is among the countries that stand as important examples of progress in liberty for the rest of Latin America, .

We admit that in Venezuela we have wasted time and effort because of self-denial [negarnos a nosotros mismos] and by exaggerating our vices and evils instead of dedicating time—as the people's representatives have suggested here—to consolidate efforts to face the vices and defects still present in our democracy, to strengthen it in the spirit and heart of our people.

The optimism that characterizes my words is not only the result of an assessment of what we have done in these 34 years of democracy. We found many errors and omissions. We also realize we have not done all we should have to correct the vices and face the problems of corruption that have, as inveterate nuisances, undermined the faith and trust of Venezuelans throughout our history.

But we have journeyed down an important path. The fact that now Venezuelan society is demanding that the various sectors of national leadership fulfill their obligations shows we are a different and better people than during the times of dictatorship. We are a nation with an open society in all regions of the country, where Venezuelans can assume the great task of building the fatherland we all wish to have and that we will certainly achieve in the remaining years of the 21st century.

Optimism and self-respect are the virtues that Venezuelans must extol because one lesson we must draw from the 4 February developments is that it is not advisable for us to continue to show our vices and defects without confronting them with the virtues and successes we have attained in our efforts to build Venezuela.

The problem of corruption is undoubtedly our challenge, because corruption does not just mean having illegally disposed of state funds or having negotiated behind the state. Corruption in Venezuela means many things. Corruption is bad service; it is the negligence of many officials. Corruption is the attitude of private sectors that speculate in prices. Corruption is the attitude of business sectors that bribe public officials or cooperate with them. Corruption is the poor attention rendered to the people in public offices. Corruption is when the unions declare an unjustified strike without considering the nation's aspirations. In sum, corruption means all the vices that we have been accumulating throughout our history, and now is the time to put an end to them.

That is how the Venezuelan people interpret the word corruption, the concept of corruption. That is why today polls point to a series of circumstances in one word. That is why we must make a historical commitment to report on our decision and solve each of the issues about which the Venezuelan people have voiced their disappointment or frustrations.

Citizens, senators, deputies: I feel we have no reason to feel pessimistic and we have no reason to feel we are not complying with our duties. We are not fully complying with our duties; we have not done everything we could have done. Nonetheless, it is not just the political parties that are to blame. It is not just the state institutions that are not provided with the possibility of rectification and the best guidance. It is not just that we try to present a dramatic and desolate picture of a country on the way to dissolution, where there is nothing left but violent methods to rebuild the fatherland.

This is why we must encourage a national awareness. It is wrong that some are taking advantage of the excitement among Venezuelans over this outrageous commotion of another military uprising 34 or 35 years later in order to make people feel pessimistic and sad.

Let us avail ourselves of these circumstances to strengthen our responsibilities and cope with our errors and omissions, and thus embark on a joint task. Undoubtedly, we have not given any thought to this moment in which we need a coalition government, as if we were experiencing a tremendous national emergency. Political parties and the government feel we must maintain the specific aspects of political controversy. We must return to the exact meaning of our responsibilities. There are essential aspects in the life of the country

where there is no room for discrepancy and where it is indispensable to act together, as Senator Felipe Montilla said.

The remarks by Deputy Luis Emilio Rondon on the realities of the country, on the means for coping with them, and on the behavior of the new groups of Venezuela is exactly the way it is.

I have to conclude my statement by saying I must feel a deep and very sincere pleasure over the words I have heard from the representatives of the Senate and the Chamber of Deputies. These words do not defend the flags of political struggle. They point out that above that struggle is the fatherland. The fatherland belongs to all of us and we are determined to serve the fatherland.

Thank you very much. [applause]

Opposition Calls Changes 'Continuation' of Policy

PA2602225492 Madrid EFE in Spanish 0757 GMT 26 Feb 92

[Report by Jose Bujanda]

[Text] Caracas, 26 Feb (EFE)—On 26 February, the main Venezuelan opposition parties reacted to the changing of six government ministers. They agreed it was a "continuation" of President Carlos Andres Perez's official policy, which he has been implementing since the start of his mandate three years ago.

President Perez announced the appointment of six new ministers in a change of government geared to broadening the representation of his cabinet after the 4 February foiled coup d'etat. Perez had invited the most prominent opposition leaders to participate in his government and even offered them several ministries. Even members of the governing Democratic Action Party (AD) refused his offer.

A spokesman for the main opposition party, the Social Christian Party (Copei), a social democratic party, said the changes were not substantial, so the new ministers would sustain the same economic policy, which has been rejected by the grass roots.

Copei leader Eduardo Fernandez, a presidential hopeful for the 1993 general elections, refused to participate in the Perez administration and asserted that his party will continue its "constructive opposition."

Movement Toward Socialism leader Fredy Munoz pointed out that his party could not participate in a government comprised of officials it did not know and that had an economic policy it did not share.

The changes announced on 25 February by the Venezuelan president include the Ministries of Energy and Mines, Interior Affairs, Justice, Coordination and Planning, Secretariat of the Presidency; and the Central Information Office.

The Venezuelan leader also announced a replacement for the Central Bank of Venezuela president and the Attorney General; the latter on a temporary basis.

The new ministers are Rafael Guevara, who will occupy the Energy and Mines Ministry, and Carmelo Lauria, Secretariat of the Presidency Ministry during Jaime Lusinchi's government from 1984 to 1989, who will head the Interior Ministry.

Celestino Armas, former energy and mines minister, was assigned to the Secretariat of the Presidency Ministry. Arminda Quintana is the new justice minister. Pedro Mogna, formerly secretariat of the presidency deputy minister, was appointed head of the Central Information Office.

Economist Ricardo Haussman was appointed minister of coordination and planning (Cordiplan). He is an AD member and will be in charge of preparing the government's economic policy.

Observers have highlighted the appointment of Miguel Rodriguez, who occupied the Cordiplan portfolio until now, as the new Central Bank president. Rodriguez was the minister most criticized by the political parties as being responsible for the neoliberal economic policies implemented by the government.

Because of criticism of the justice administration, the Venezuelan president appointed lawyer Alfredo Ducharne as the Republic's provisional attorney general.

Political sources have highlighted the appointment of Carmelo Lauria. Lauria, a former Lusinchi minister, recently announced his intention to campaign as an AD presidential candidate in the 1993 elections.

Journalists Begin Returning to Work 26 Feb

PA2602220692 Hamburg DPA in Spanish 1431 GMT 26 Feb 92

[Text] Caracas, 26 Feb (DPA)—Newspapers in Caracas and several Venezuelan cities were only partially circulated on 26 February, while hundreds of reporters returned to work following a nationwide strike on 25 February in favor of freedom of expression and the defense of democracy.

In Caracas, the newspapers EL UNIVERSAL, DIARIO DE CARACAS, 2001, ULTIMAS NOTICIAS, AND MERIDIANO circulated normally, but with little local news. In the interior, newspapers circulated normally as reporters returned to their daily activities at radio and television stations and newspapers.

The strike, the first in 35 years of democratic life, was called by the National Trade Union of Press Workers (SNTP) and the National Journalists Association (CNP) in defense of democracy, respect for the physical integrity of journalists, and in favor of freedom of expression.

The strike was rejected by several newspaper business unions, among them the press bloc that unites the editors of approximately 45 newspapers, which insisted the strike was unjustified and sudden.

The strike was initially called to demand that the president abolish the decree against freedom of expression, which was suspended shortly after the thwarted coup attempt [words indistinct]. Hundreds of reporters, defying the president and the editors, joined the protest.

The newspaper 2001, one of those that openly rejected the protest, stated on 26 February in its editorial that "to inform is a pledge we have made and are obliged to fulfill and respect, regardless of the difficulties that must be confronted and overcome."

"It is absurd and contradictory to stage a strike apparently because that basic guarantee of democracy and of our Constitution has been violated when the strike totally denies that guarantee," the editorial adds.

Funds for Agricultural Development Planned

PA2702011692 Caracas Venezolana de Television Network in Spanish 1550 GMT 26 Feb 92

[Text] Venezuela will receive $600 million for development in the agricultural sector, thanks to an agreement Agriculture and Livestock Minister Jonathan Coles will sign in Washington on 26 February with officials from the World Bank and the IDB.

[Begin Coles recording] As of the first half of March we will begin investing local resources. In the second half of March the foreign resources will begin arriving. Those funds have already been discussed and contracted for, based on certain projects we are going invest in, for use in the country's various agricultural areas. [end recording]

* Economists Predict Continued Growth in 1992

92SM0247A Caracas NUMERO in Spanish Jan 92 pp 18-22

[Report by Carlos Gonzalez Saavedra; first paragraph is introduction]

[Text] The macroeconomic picture is the aspect of the economy most favorable to Venezuela. Specialists' projections portray an encouraging panorama. But there is still doubt about the other side of the economic picture, the microeconomic area.

Venezuela's macroeconomic situation in 1992 promises to be an expanded and corrected version of the results obtained in 1991. With the exception of growth and perhaps inflation, some improvements are expected in response to the new economic plan the government has implemented in Venezuela. As in past years, political and social pressures will be the major obstacles to achieving the proposed macro objectives.

Projections from the Institute of Economic and Social Research of the Andres Bello Catholic University [UCAB] (Eduardo Ortiz and Luis Zambrano); from the IESA [Institute of Higher Education for Administration] (Pedro Palma, Ricardo Hausmann, Gustavo Marquez, Gustavo Escobar); from the Cendes [Development Studies Center] of the Central University of Venezuela (Victor Fajardo); and from the Inter-American Development Bank (1991 Report) have been compiled in the following report. Representing the government, the views of the minister of Cordiplan [Office of Coordination and Planning], Miguel Rodriguez, are presented.

Petroleum, a Black Variable

Any macroeconomic forecast in Venezuela has to be based on one black variable: petroleum. "Even though the Persian Gulf crisis has been resolved for the time being, petroleum supplies from the former Soviet republics are now in question. This, combined with PDVSA's [Venezuelan Petroleum, Inc.] recent policy designed to improve investments and product marketing, promises to recover through export volume what may be lost through declining prices. So PDVSA's total revenues in relation to former years will not suffer greatly, and might reach $12.5 billion." This statement by the Institute of Economic and Social Research of the Andres Bello Catholic University contrasts with the viewpoint of economist Pedro Palma from IESA: "It is possible that Iraq's political situation will improve, and this could translate into an increase in its export levels, so the market would receive almost 3 million additional barrels of petroleum per day. Consequently, that would weaken prices and the countries which increased production because of the Gulf War will be forced to reduce production; Venezuela will cut its production back to 2,200,000 barrels per day, thereby losing $1 billion in export revenues."

Other specialists tend to think that in the best of cases the petroleum market will remain as it is now; this would limit PDVSA's earnings, as it is operating at its peak production capacity. Two key questions will determine these scenarios: What will the nation's petroleum policy be: And how will Venezuela renegotiate its position in OPEC?

Less Rapid Growth

The GDP will continue to grow during 1992, although at a lesser rate than in 1991, perhaps reaching—and here there is some consensus among the economists—a figure close to 6 percent. The development of the economy has been tied until now to the increase in domestic demand; consequently, the impact on sectors like construction, which revitalized public investment has affected, has become palpable. The manufacturing sector has grown as a result of demand for consumer goods, despite price decontrols. If this trend continues, there will be growth in investments, employment, and in real wages.

The government's official projections do not differ much from those prepared in academia. According to the Cordiplan minister, Miguel Rodriguez, during the next few years Venezuela could grow at a rate of 6 or 7 percent, at the end of eight years reaching the per capita income levels it had before 1978. Private enterprise is still working with a 30 percent idle capacity; because of this, it only invests as it nears its limit of utilization. "Therefore," says Miguel Rodriguez, "we will not see all the macroeconomic force of private investment until 1993 or 1994." On the state side, investment in infrastructure and petroleum will continue at its present rate in 1992, and the first $1 billion payment for the CANTV [National Telephone Company of Venezuela] expansion plan should also be made in 1992.

Fiscal Balance: a Matter of Discipline

The variable which will continue to mar the macroeconomic panorama is without a doubt fiscal management. According to Gustavo Escobar, a professor at IESA, the fiscal deficit will remain. Not only does it constitute an inflationary factor, but it will also determine Venezuela's still pending IMF payments. Another IESA professor, Ricardo Hausmann, estimates that the nation's fiscal accounts are not solid (petroleum still brings in almost 80 percent of Venezuela's revenue), combined with the lack of a tax system enabling the government to take part in the economy's growth. In this context, there are questions about what will happen with the VAT [Value Added Tax] and whether action will finally be taken in regard to the Venezuelan Corporation of Guayana, the largest black hole discovered to date.

But 1992 could be the first round in the battle against the fiscal deficit: "The new budget," agree UCAB researchers Eduardo Ortiz and Luis Zambrano, "confirms that attempts are still being made to sustain at the same time a balance between economic growth and attention to social services to offset the impact of the adjustment policies. But while the spending scheduled for nonfinancial investment has doubled, budget payments to cover operating deficits in state enterprises have declined significantly in response to the privatization process and improvements in public utility rates. Moreover, the obvious disproportion between fiscal spending and domestic nonpetroleum production will continue to put pressure on levels of liquidity and consequently on the inflation rate. So the government will continue to be torn between using extraordinary measures, like zero coupon bonds or increasing the legal reserves level to repress liquidity, or accepting the need to downscale the originally planned economic growth levels. Still, there is some hope of reducing the deficit to manageable levels, below 3 percent of the GDP."

Approval of the tax reform program, which includes a reduction in taxes, simplification of the tax rate structure, and the application of the Value Added Tax to most goods and services, is essential in order to promote private investment and to reduce public finances' dependency on unstable petroleum revenues. It is unlikely that this recommendation made by the Inter-American Delopment Bank in its 1992 Prospects for Venezuela will be attained within one year; therefore, Gustavo Marquez thinks that if Venezuela continues growing as it has until now, it will run the risk of depleting its international reserves and falling once again into a situation like the one in 1989. In recognizing this problem, Miguel Rodriguez says that over time, fiscal matters must be established on a more sound basis.

Venezuela Will Have to Put Up With Inflation

On inflation, the IDB paints a rather bleak picture: "The possibility of a new round of inflationary pressures could endanger short-term favorable prospects for internal growth and prospects in the external sector. The ambitious public investment program could cause a too rapid economic recovery and the adoption of revenue measures might be delayed in Congress, giving rise to inflationary budget deficits."

The UCAB researchers hope that this year will not produce an expansionary policy in public spending, so there should not be very strong pressures on liquidity. The inflationary component of demand could be reduced, leaving only exchange pressures and a still remaining inertial component. In this way, price increases should not exceed 25 percent.

Pedro Palma, who believes that inflation in Venezuela is of structural origin, since it has arisen from a distortion accumulated over decades, predicts that this macroeconomic variable will stand at about 28 percent at the end of 1992.

Trade Balance: Do Exports Matter?

Nontraditional exports will keep the low profile they had in 1991. Contributing to this will be both the recovery of the domestic market and the inability to design a really effective policy for stimulating exports, plus the worsening of some external difficulties, ranging from trade restrictions to a decline in international prices which, as in the case of aluminum, will hurt the Venezuelan economy. With these limitations, it is possible to predict approximate revenues of $2.5 billion for this category. Along with a low profile for nontraditional exports, UCAB's Institute of Economic and Social Research forecasts an increase in imports. Factors playing a part in this growth will be the internal economic recovery with a resulting upturn in investment and private consumption, the gradual easing of credit in international financial markets, and the impact—largely absorbed during 1992—of the abrupt reduction in tariffs. Moreover, the apparent stabilization of expectations about exchange rate fluctuations will ease pressures to maintain extremely large inventory levels. Therefore, expenditures for imports are not expected to greatly exceed $11.5 billion.

With these figures, the trade balance surplus should be somewhat lower than in 1991. For the balance of payments, new capital attracted by the difference between

internal and external interest rates, the privatization process, and investments in megaprojects (which should exceed $3 billion) will enable Venezuela to meet its external debt service payments, which in 1992 will be over $5 billion.

The Economy in 1992

Inflation	25-33%
Exchange rate	72-80 bolivars per U.S. dollar
Growth	6%
Unemployment	8-10%
Petroleum	$16-$17 per barrel
Fiscal balance	Deficit
Balance of trade	Surplus, but declining
Monetary liquidity	Increasing

Source: Numero's calculations.

An Appreciated Currency

According to Ricardo Hausmann, the spread between active and passive interest rates will continue to distort the financial system in 1992, as it will bring new intermediaries into the market, who will offer very high profits. The presence of the bank reserve will mean a possible decline in passive rates, but it will keep active rates high; consequently, there will be good investment opportunities, very profitable capital market instruments, and definite business possibilities. According to this economist, an appreciation of Venezuela's currency in the mid-term is inevitable. The other side of exchange policy is determined by real wages, and these, stated in dollars, will increase, but there will be greater demand for labor; therefore, in December 1992 the exchange rate should be between 70 and 72 bolivars per dollar.

The UCAB economists add another variable to this analysis: as the BCV [Central Bank of Venezuela] has a sufficient level of international reserves, it is possible to be optimistic about prospects for the exchange rate. The nominal rate will have to be adjusted to adapt to internal and external inflation rates but, if no unforeseen problems arise, at the end of the year the rate should not exceed 75 bolivars per dollar.

According to Pedro Palma, maintaining relatively high interest rates will have deep repercussions on the exchange rate, which will also feel the pressure of the inflationary differential; however, we may expect a relative appreciation in Venezuela's currency, placing the exchange rate at about 76 bolivars per dollar.

Miguel Rodriguez and the Inter-American Development Bank agree on the need for an exchange policy which will keep the real effective exchange rate at its present level.

Threats and Risks

The Venezuelan population's capacity for endurance will to a large extent determine the direction economic policy will take in the short term. The Cendes (Development Studies Center) of the Central University of Venezuela bases its macroeconomic scenario for 1992 on this premise. According to Cendes, the priority goal of promoting a development scheme which will also benefit wage earners requires the establishment of an exchange rate that is as low as possible. Since there is now a 15 percent subvaluation margin, it is possible to peg the nominal exchange rate at its present value (approximately 60 bolivars per dollar) until reaching real equilibrium parity through a gradual appreciation of the currency. This could be implemented in a six-month program, assuming an external inflation rate of 0.4 percent a month and an internal inflation rate of 2 percent. As this will cause international reserves to shrink by between $1.5 and $2 billion, the economy will grow between 6 and 7 percent, and inflation and unemployment will decline to 25 and 8 percent, respectively.

The UCAB forecast also takes into account the social side of the adjustment. "We cannot overlook the fact that our economic forecasts could be turned upside down if the political and social pressures that have been particularly vehement recently grow stronger." Gustavo Escobar from IESA suggests the same thing: "Venezuela's indepth problem is not economic; the economy is growing and it will continue to grow throughout 1992. Our present shortcomings are political and social."

Finally, Ricardo Hausmann says that economic rules are the result of a social process, and not precisely of a macroeconomic calculation.

Retroprojections

Economists take few risks in projecting the future: by first using the words "if," "provided that," and "let us assume" or some other hedging formula, they protect themselves from the possibilities of error in their forecasts, which follow in succession year by year. At the end of 1990, NUMERO published a report giving macroeconomic projections for 1992 by a group of specialists. It is interesting to look back at some of these opinions, in light of 1991's actual results (10 percent growth, 30 percent inflation, exchange rate of 60 bolivars per dollar).

Gustavo Escobar believed that "despite the positive results expected in the balance of payments because of extraordinary revenues," inflation should be between 35 and 40 percent; the exchange rate could be between 65 and 70 bolivars per dollar; and the GDP could reach a maximum of 4 percent. Interest rates, he felt, would remain high.

Pedro Palma was a little more optimistic about economic growth. He felt it would be close to 6 percent, as a direct response to increased oil production. He placed inflation at approximately 40 percent, and the exchange rate at at least 60 bolivars per dollar.

Jose Miguel Uzcategui thought that inflation, because of the impact of increased government spending, would be

above 30 percent in 1991 and that the Gross Domestic Product would not go beyond 2 percent. He estimated that the exchange rate would be about 60 bolivars per dollar.

Finally, Oscar Echevarria predicted an inflation rate of 25 to 30 percent, 5 percent growth, and an exchange rate oscillating between 60 and 65 bolivars per dollar.

French Guiana

Ariane Rocket Launch Reported 26 Feb

PA2702004292 Paris AFP in Spanish 0006 GMT 27 Feb 92

[Text] Kourou, French Guiana, 27 Feb (AFP)—The European rocket Ariane began its 49th flight at 2058 (2358 GMT) on 26 February from the Kourou Space Center in French Guiana. The launch was delayed for 37 minutes after the countdown was interrupted four minutes before takeoff.

The rocket will place in orbit two communications satellites, the Arabian Arabsat-1C and the Japanese Superbird-B1.

Puts Satellites in Orbit

PA2702040092 Madrid EFE in Spanish 0217 GMT 27 Feb 92

[Text] Kourou, (French Guiana), 27 Feb (EFE)—The European "Ariane" rocket successfully placed in orbit two new telecommunications satellites—one Arabian and one Japanese—according to sources from the Kourou Space Center in French Guiana, where the rocket's 49th launch took place on the night of 26 February.

The "Ariane," which took off at 2058 local (2358 GMT), placed in geostationary orbit Arab satellite "Arabsat-1C," of the Arabian Satellite Communications Organization "Arabsat," and the Japanese satellite "Superbird-B1," of the "Space Communications Corporation" (SCC) [the latter name rendered in English].

The separation of the Japanese satellite occurred 20 minutes and 23 seconds after takeoff, and the "Arabsat-1C" 25 minutes and 19 seconds after take off, according to experts at "Arianespace," which is in charge of commercializing the European rocket.

The most powerful model, the "Ariane-44L," which has four rocket boosters and a total takeoff weight of approximately 480 tons was used to place both satellites in orbit.

"Arabsat-1C" is the third satellite of its kind belonging to the "Arabsat" organization headquartered in Riyadh. It was built by several companies under the supervision of the French firm "Aerospatiale." Its cost has been estimated at $100 million, of which approximately $55 million were for its launch and insurance.

This satellite, with an average life of seven years, is capable of transmitting some 8,000 telephone circuits and seven television programs. Its final position will be set over Eastern Africa, at the border between Tanzania and Zambia.

The Japanese satellite, which has an average life of 10 years and a total cost between $250 and $300 million, including its launch and insurance, was built by several French, U.S., and Italian firms for the SCC. It will be positioned over the Pacific Ocean.

With this 49th launch, "Arianespace" will still have pending 31 telecommunications satellite launches, which represent $13.5 billion francs (some $2.7 million).